

Annual Audit Letter

Cumbria County 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

As I write this letter, Cumbria is just beginning to recover from the devastating floods which affected the whole County, but particularly Workington and Cockermouth, in November 2009. The County Council, other local authorities, NHS Cumbria, the emergency services, voluntary organisations and local people are all now working on the recovery which may take some time.

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.

Audit opinion and financial statements

- 1 I issued an unqualified opinion on the Council's statement of accounts on 30 September 2009.
 - 2 The financial statements were approved by the Statement of Accounts Committee on 30 June 2009 and following the audit, were amended. The Chief Finance Officer re-authorised the accounts for issue on 25 September 2009 at the meeting of the Statement of Accounts Committee.
 - 3 At the Audit and Assurance Committee meeting on 25 September 2009 we discussed the detailed findings from my 2008/09 audit which were reported in my Annual Governance Report.
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Value for money

- 4 I issued an unqualified opinion on the Council's arrangements for securing value for money in the use of resources on 30 September 2009.
- 5 My assessment of your arrangements to secure value for money is based on the work we have completed covering all the key lines of enquiry (KLOE) set out by the Audit Commission for County Councils.

- 6 The key issues arising from my review of your arrangements to secure value for money showed that the Council:
- consulted widely over the 2009/10 budget. Over 600 people contributed and their views were taken into account when the budget was drawn up;
 - has set aside over £30 million to meet claims for equal pay;
 - successfully concluded contracts for the Carlisle Northern Development Route, a major new 25-year Waste Management contract, and also for four new academy schools;
 - has a strategic approach to procurement which ensures there is a good analysis of local needs. The Council supports a competitive local market which has easier access to Council contracts; and
 - has a clear focus on how to reduce its environmental impact in areas such as waste and carbon reduction.
- 7 However, there is scope for the Council to improve:
- the links between performance and expenditure;
 - financial reporting, including timeliness of budget reports;
 - risk management in order to ensure that all risks are properly managed and that some appropriate risk is taken to drive service improvement; and
 - the baseline information on energy, water and fuel consumption for all Council properties.
- 8 The findings from my Annual Governance Report and my Use of Resources report are summarised below. These individual reports have been discussed and agreed with the Chief Executive, Director of Resources and Chief Finance Officer. The Cumbria Strategic Partnership (CSP) report is currently being discussed within the CSP.

Audit opinion on the financial statements

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

My opinion covers the Council's accounts, the Cumbria Local Government Pensions Scheme (LGPS) accounts, the Firefighters' Pension Funds accounts and the Group Accounts.

Cumbria County Council's accounts

- 9** I issued an unqualified opinion on the Council's accounts on 30 September 2009.
- 10** I reported to those charged with governance the issues arising from the audit of the accounts on 25 September 2009 in my Annual Governance Report. I am not repeating in this letter all of the issues that I brought to the attention of the Audit Committee in September but I will refer to the most significant of these issues.
- 11** It is clear that a considerable amount of action has been taken to improve the arrangements for the preparation of the Council's accounts. In particular, much has been done to improve the quality of the working papers underpinning the accounts, to address weaknesses in fixed assets and related capital accounting transactions, and to deal with the difficulties experienced last year as a result of the way in which internal trading activities were reflected in the accounts. As a result, although this year's accounts contained errors, these were fewer than in previous years.

Significant issues arising from the audit

Equal pay provision

- 12** The Council has made a provision of £36 million in respect of equal pay claims. It has made an offer to pay all staff members within the affected staff groups regardless of whether or not the staff have actually made an equal pay claim. I was concerned that the Council had not obtained any external legal advice in respect of the proposed payments. We understand that, in the light of my concerns, the Council obtained external legal advice which confirmed that potential claimants should receive an offer.

CNDR PFI scheme

- 13** The contract for the CNDR PFI scheme was signed on 16 July which was a significant milestone, particularly in the light of the current financial climate. £6.3 million of pre contract agreement expenditure was included in the Council's I&E accounts matched by grant income of £4.2 million from the Department for Transport (DfT) and a £2.1 million debtor with the North West Development Agency (NWDA). As Connect repaid these monies in 2009/10, the accounts were amended to show the £6.3 million as a debtor from Connect and the £2.1 million debtor with NWDA was removed. The £4.2 million grant income was therefore unspent and was transferred to a newly created earmarked capital reserve.
- 14** During the contract negotiations I provided my view of the proposed accounting treatment.

Academy schools

- 15** The Council also successfully negotiated the creation of four Academy Schools. During the course of my audit I raised issues about the effect on the Council's accounts of the setting up of academy schools for example:
- the effect on the Dedicated Schools Grant (DSG);
 - the way in which the schools' deficits would be treated; and
 - the arrangements for managing the new build and whether the assets are on or off the balance sheet.
- 16** Brought forward deficits of £2.3 million relating to the newly created academies have been transferred from the schools to the centrally held DSG balances which means that these centrally held reserves are now in deficit by over £750,000.
- 17** In previous years' accounts most of the schools which are now academies were Foundation Schools and had been taken from the Council's balance sheet on the grounds that the assets and management had transferred to the Foundation schools. In 2008/09 academy schools have been brought back on to the balance sheet. I have reviewed the arrangements and am satisfied with the accounting treatment to show the assets on the balance sheet.

Fixed assets

- 18** I found errors in recording the closing value of four assets which have been subject to revaluation in the year as part of the Council's rolling revaluation programme. The closing value of these four assets was overstated by £5.384 million. This is because the Council added on the value of works which were already taken into account in the revaluations. The value of fixed assets and the revaluation reserve were amended.

Audit opinion on the financial statements

19 In 2005/06 the Council purchased land at Ramsden Business Park in Barrow for £2.5 million. This was omitted from the balance sheet until 2008/09 when the error was noticed during the officers' review of the asset register. The accounting entries to bring the asset on balance sheet were not in line with the SORP. This means that the fixed asset value in the statements of account has been understated by £2.5 million for the past three years and that capital additions are misstated in 2008/09. The accounts were not amended.

Pooled Funds

- 20** The Council is required to include within the accounts its costs in respect of pooled fund transactions. However, FRS 9 requires that only the Council's share of Pooled Fund transactions appear in the Council's income and expenditure account and balance sheet and therefore adjustments are required to remove partner transactions from these statements. The Council did not correctly reverse last year's adjustments and this led to an understatement of creditors of £2.16 million; cash was understated by £1.821 million and debtors were understated by £339,000 in the 2008/09 accounts.
- 21** In addition, this year's FRS 9 adjustments for the Learning Disability Pooled Fund were incorrect, mainly because they failed to remove PCT contributions which were outstanding at the year-end. This had the effect of overstating debtors by £3,685,000 with a corresponding understatement of cash.
- 22** The accounts were amended in respect of the above errors, there was no effect on the Council's General Fund Balance or on the net assets.

Pension fund cash

- 23** The Council's cash balance and short term borrowings included some £5.2 million pension fund cash because of the way in which the financial arrangements between the Council and the pension fund have operated. Similarly the interest income and interest paid include £238,000 earned and paid by the Council to the pension fund.
- 24** As the monies are not the property of the Council the closing figures and interest transactions should be excluded from the Council's accounts altogether. We agreed that as the difference in the interest calculation of £238,000 was not material there was no need to amend the accounts but the cash and short term borrowings were reduced by £5.2 million.

Material weaknesses in internal control

25 In my annual governance report I highlighted the following areas for improvement based on my audit work reviewing financial systems and internal controls during the year:

- specify and allocate responsibility for the control operating over the transfer of feeder system files to the e5 general ledger;
- improve certification procedures for both payroll and accounts payable;
- resolve the long term weaknesses which allow duplicate payments from the accounts payable system;
- improve the timeliness and accuracy of raising debtor invoices; and
- ensure that the backlog of data to be entered in to the local government pension scheme (LGPS) is dealt with so that annual benefits statements and required statutory notices can be issued.

Internal audit

26 I have undertaken a review of the Council's internal audit function, the Management Audit Unit. I found that the unit complies with CIPFA requirements, but concluded that some issues arising from the work is not being given sufficient weight and that reports do not always have sufficient impact to secure effective action. This has already been recognised by the Council and is reflected in the Annual Governance Statement and action plan as an area for improvement. I understand that action has been taken to address this. The effectiveness of the action will be tested during next year's audit.

Claims and returns

27 There are a number of claim forms or other returns that the Council has to complete and submit to central government departments to support the grants it receives. Many of these claims must be certified by me before submission and the government department determines the timetable for this work.

28 Almost all of the Council's grant claims and returns which required my certification in respect of 2008/09 were presented late and many of them required amendment. I am concerned that the Council:

- may lose money if accurate claims and returns are not submitted to the government department on time; and
- may not have sufficient resources to prepare accurate and timely claims.

Accounting Practice and financial reporting

29 I considered the qualitative aspects of the Council's financial reporting and made comments in my annual governance report. There are no issues that I want to draw to your attention.

Local Government Pension Scheme Accounts

30 The Cumbria LGPS is administered by Cumbria County Council. At 31 March 2009 the Fund's assets were valued at almost £1 billion (£992 million). This is a fall of over £200 million on the position at the end of March 2008 and reflects the fall in the value of shares resulting from the global economic downturn.

Accounting for derivatives

31 The Pension Fund accounts were amended because of the way in which derivative assets and liabilities had been reflected in the net asset statement. The draft accounts incorrectly included the £220 million cost of the forward foreign exchange contracts on both sides of the net assets statement. Derivative assets were reduced from £225.6 million to £5.6 million and derivative liabilities from £223.1 million to £3.1 million.

32 The gross value of these amendments was significant however there was no impact on the net position and the bottom line. It should be noted that this is a particularly complex area of accounting and both the Council and I obtained technical advice.

Reconciling between employing bodies and the pension fund

33 The Pension Fund obtains year-end statements from all scheduled and admitted bodies to confirm that the total employer and employee contributions received in the year are consistent with the amounts deducted through payroll and paid over to the Pension Fund. However, the County Council itself does not provide such schedules and therefore no reconciliation is undertaken for employee and employer contributions deducted through the County Council's main employee payrolls and paid to the Pension Fund. Employee and Employer contributions from Cumbria County Council (excluding schools) accounted for approximately £30 million of the £65 million total contributions received by the Pension Fund in 2008/09.

34 I noted a discrepancy between the figures shown as contributions paid over in the County's payrolls and the sum shown as received by the Pension Fund and recorded in the Pension Fund accounts. The discrepancy for 2008/09 was approximately £68,000 which, although not material, should not exist.

35 There is a further discrepancy between the figures shown as employers' contributions paid over in the County's general ledger and the sum shown as received by the Pension Fund and recorded in the Pension Fund accounts. The discrepancy for 2008/09 was approximately £220,000 which, again is not material, but should not exist.

Firefighters' Pension Fund accounts

36 On 7 September 2009 CLG issued an amendment to the Firefighters' pensions regulations which meant that additional lump sums of £407,000 became payable. The amendments affect the Firefighters' Pension Fund account and Net Asset statement and also the Council's income and expenditure account and balance sheet. The adjustments were not material to the Council's I&E account and balance sheet and they were not amended. However, the Firefighters' Pension Fund accounts were amended.

Use of resources and value for money – County Council

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 had 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** The use of resources theme scores for Cumbria County Council are shown in Table 1 below.
- 38** In forming my scored use of resources judgements, I used the methodology set out in the Audit Commission's 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.

Table 1 Use of resources theme scores

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

Managing finances

- 39** The Council ensured that local communities were able to influence the financial planning process. Wide consultation over the 2009/10 budget allowed over 600 people to contribute to an online exercise considering different budget options. Their views were considered when the budget was then drawn up.
- 40** The funding of the liability in respect of equal pay claims has been the most significant financial challenge facing the Council. Over £30 million has been built up in provisions and earmarked reserves to cover this. The general fund reserve has increased in 2008/09 from a relatively low base.

- 41 The economic downturn and banking crisis are 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.
- 42 The Council has considered the impact of the banking crisis on its treasury management and has recognised the need to continue to consider the implications as part of its medium term financial plan.
- 43 The economic downturn also affects my audit considerations and as part of my responsibility, I have reviewed the Council's treasury management arrangements and found them to be soundly based, responsive and prudent.
- 44 The Council looks at whole life costing for large projects and has recently successfully negotiated a large contract for the provision of waste management and a PFI contract for the Carlisle northern relief road. However, for service delivery, explicit links cannot always be made between performance and expenditure. The Council has exceeded the Gershon efficiency savings but by the end of 2008/09 there had been little progress on developing shared services across Cumbria. However, during 2009/10 progress has speeded up and legal services are being shared between the County and two district councils and plans are in place to share internal audit services.
- 45 The standard of financial reporting through budget reports has improved, budgets are reported at gross as well as net level. However the inclusion of internal recharges between Directorates means that gross income is not easily reconciled to the actual external income received from fees and charges.
- 46 Variances between spend to date and budget to date are not always clearly explained. The introduction of the e5 ledger system has strengthened reporting arrangements for budget holders but budgets are not always input at a low enough level and as a result, secondary records are kept rather than e5 being the prime source for reporting. The timeliness of financial reporting to Cabinet needs to be improved, so that a more up to date financial position can be considered. The Council has taken action to improve the standard of the statutory accounts.

Governing the business

- 47 The Council's strategic approach to procurement and commissioning includes involving a wide range of local stakeholders to analyse needs. The Council's 'Together we can' and 'Streetsafe' initiatives demonstrate positive outcomes. IT is being used to improve value for money and, 90 of the Council's most popular services can now be accessed via the 'do-it-online' initiative. The Council has developed a more competitive local market and over 400 local companies now have easier access to council contracts. The Council's approach won the North West's Sustainable Procurement Award.

Use of resources and value for money – County Council

- 48 The corporate Data Quality strategy was revised in January 2008 to incorporate the 'get it right first time' policy. Responsibilities are clearly defined, targets are agreed for relevant staff and newsletters highlight the importance of good Data Quality and accurate Performance Indicators. Checks are made by corporate policy and performance staff to ensure the accuracy of reported performance information. Procedures are in place to ensure data security and compliance with statutory requirements.
- 49 The performance management framework is based within the Performance Plus system and performance reports are prepared using 'traffic lights' to highlight areas where performance differs from targets. The quality of performance information has improved but more needs to be done - many of the outcomes included in the Corporate Plan are activities rather than outcomes, which mean it is difficult for people to see how the Council is doing.
- 50 The Council's Constitution - currently being reviewed and updated - sets out the roles of members and officers. Compliance by members and officers with the Codes of Conduct is monitored. Members' expenses, allowances, interests and gifts and hospitality are recorded in registers and on the Council's website.
- 51 Anti fraud measures such as the anti fraud strategy and whistleblowing policy are publicized and there have been awareness raising initiatives. The Council has entered into a shared service agreement for counter fraud services with the local NHS internal audit consortium.
- 52 The Council's 2008/09 Plan has six themes and planned outcomes are aligned to these themes. The Council's Overview and Scrutiny function was reviewed in 2008/09 to ensure it remains fit for purpose.
- 53 The Council has an overall risk management strategy that is complied with across the organisation. Directorates review their own risks and include them in their service plans and there is an annual refresh of the corporate risks. However, the Council's internal auditors reported that not all significant risks are included in Performance Plus, the Council's performance management system. This means they may not be monitored at the right level and could impact on achievement.

Managing resources

- 54 The Council has a clear focus on how to reduce its environmental impact and has identified specific measures on areas such as waste and carbon reduction. The Sustainability Strategy is being updated to reflect work done on the Carbon Reduction Plan and the Cumbria Climate Strategy. The Council has a Green Action at Work plan which was updated in March 2009 to include detailed targets for the eight topic areas. Improvements have already been made by, for example, agreeing to replace bottled water stations with mains fed ones and most have now been converted.
- 55 The County ecologist has led the completion of a Cumbria Biodiversity Evidence Base to inform policy and decision making and to protect and enhance diversity.

- 56** The Council is still developing a comprehensive database of all its properties. The existing database does not have accurate base line data on energy consumption. A sustainable construction policy has been produced to ensure sustainable design principles are to be addressed.
- 57** Responsibilities for assets are clearly designated and the 2009/10 service plans note whether the directorates' assets are supporting the objectives, eg are they fit for purpose. Maintenance costs are recorded but the backlog maintenance is based on surveys undertaken in 2001/02 for non school buildings and 2007 for school buildings. In future there will be a five-year rolling programme of surveys. The Council is exploring alternative ways to use its assets with key partners and is making surplus land available for housing and affordable homes. The Local Link scheme is already benefiting some local areas by providing shared accommodation to provide access to all local government services in one place.

Risk Based Reviews

- 58** In addition to our work on the key lines of enquiry for the use of resources assessments I undertook additional risk based reviews:
- following up the introduction of the e5 general ledger system;
 - reviewing risk management in the Cumbria Strategic Partnership; and
 - reviewing income and debt management using the Audit Commission's approach within their report 'Positively Charged'.
- 59** Separate reports have been prepared for these reviews and our findings also informed our use of resources judgements.

Follow up of introduction of the e5 general ledger system

- 60** Although the Council carried out a well controlled implementation of the core modules of the e5 information system in December 2007, the implementation of associated changes to financial management processes and structures has not been as effective. As a result, the pace of progress has slowed and there are weaknesses in some areas.
- The controls over the interfaces between e5 and the other financial systems need to be strengthened. Greater clarity is needed over who is responsible for the interfaces and the Council should document the procedures to be followed. Regular, ongoing checks that all feeder files have been correctly posted should be carried out and evidence retained. A retrospective check should be carried out that all feeder files since implementation have been correctly posted.
 - Users of the e5 system can use 'drill down' to obtain more detailed information and reports. However, this is underdeveloped. Staff need to be made aware of what is available and should be trained to use the reports that e5 produces.
- 61** As yet a post project review has not been undertaken and therefore it is not clear whether the actual benefits of the introduction of such a large new system match the expected benefits.

Review of Risk Management in the Cumbria Strategic Partnership

- 62** I undertook a review of Risk Management within the Cumbria Strategic Partnership (CSP). All partnerships face uncertainties in delivering their objectives. Effective strategic risk management is essential to enable the Cumbria Strategic Partnership (CSP) to exploit opportunities to improve services in a cost efficient way.
- 63** The CSP's Governance Framework clearly sets out the risk management arrangements. However these are not implemented consistently and do not encourage well managed risk taking to deliver service improvements and efficiencies. Overall, partnership risk management has a low profile in the CSP and risks are identified at too high a level. As a result, there is limited input from partner organisations and there are no linkages between the high level assessments and partner organisations' risk assessments.
- 64** The CSP's Governance Framework needs to be fit for purpose without imposing a burden on the partnership managers. Partners acknowledge improvements are required to the risk management and wider governance arrangements within Cumbria Strategic Partnership. Our detailed report and action plan are currently being discussed and agreed.

Income and Charging

- 65** I found weaknesses in debt management and income collection in our audit work in earlier years. As a result, I have undertaken a fuller review based on the Audit Commission's national review entitled 'Positively Charged' which looked at:
- the strategic approach to raising income from fees and charges;
 - the approach to fee setting;
 - budgeting and reporting income from fees and charges; and
 - arrangements for identifying and collecting debt.
- 66** I found that the Council is a low charging authority compared with similar councils. The Council recognises this and the budget consultation for 2010/11 includes proposals to increase fees for some services and to remove anomalies where they exist.
- 67** The Council does have a good understanding of the costs of some services but there is a reluctance to properly consider services that don't recover the full costs and are therefore subsidised. The Council has compared its charges with those charged by other local authorities and is aware that many of its fees and charges are lower. However it should ensure that fees cover costs, or if not, that there is transparency over the decision to subsidise service users.
- 68** The budget excludes fees and charges raised by schools. This amounted to some £29 million in 2008/09. Budget outturn reports do not separately report income from fees and charges but include it with other external funding as 'other income', therefore the extent to which charging contributes towards gross service costs is not clear. In total 'other income' was 21 per cent ahead of budget in 2008/09, but the degree to which fees and charges income varied from budget is not easy to see.

- 69** Charging departments sometimes raise invoices too late or with inadequate descriptions making it difficult to collect charges. The debtors' team has provided training to charging departments to improve performance. The Council has a large amount of outstanding debt. Recent efforts to tackle this include engaging a debt collection agency. Plans have been made to review all debt over 12 months old but there should be an ongoing review of all overdue debt to ensure that prompt follow up action can be taken.

The Value for Money conclusion

- 70** I issued an unqualified opinion on the Council's arrangements for securing value for money in the use of resources on 30 September 2009.
- 71** This is a positive conclusion which reflects the fact that I am satisfied that Council has in place appropriate arrangements to deliver economy efficiency and effectiveness in its use of resources.

Use of resources and value for money – Cumbria Fire and Rescue Authority

I considered how well the Fire and Rescue Authority (FRA) 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.

Use of resources judgements

- 72** Cumbria Fire and Rescue Authority (FRA) is not a separate entity but is part of Cumbria County Council. In undertaking my assessment of the use of resources at the FRA I rely on my findings from the County Council for those areas where the FRA does not to have influence or control. I score separately for those KLOEs where I am satisfied FRA has control.
- 73** My judgements for 2008/09 include the CFA's arrangements for workforce planning. However, this was not considered at the County Council. .

Table 2 Cumbria Fire and Rescue Authority Use of Resources scores

Use of resources theme	Scored judgement
Managing finances KLOE 1.2 - Understanding costs and achieving efficiencies	2
Governing the business KLOE 2.2 - Data Quality	2
Managing resources KLOE 3.3 - Workforce Planning	2

Managing finances - Understanding Costs and achieving efficiencies

74 Cumbria FRA has a good record of managing spending and a sound understanding of its comparative costs, based on an analysis of the Audit Commission profile tool. However, the Authority has yet to undertake a rigorous exercise looking at unit costs, what drives these and how they relate to outputs and performance. The Authority reported efficiency savings in excess of £1.2 million in 2008/09, substantially relating to the management restructuring undertaken in early 2008. Opportunities for joint working are being exploited. Additional resources have been diverted into community safety activity.

Governing the business - Data Quality

75 The FRA has established the principles of data quality in its data management procedure and the County Council's data quality strategy. However, strategic arrangements to secure data quality are under-developed. Our testing of performance indicators found errors. However, the error rates were low and FRA was already aware of some of them and had taken action to correct them where possible. FRA is to take forward the issues identified into future training.

76 Information is presented to senior management and elected members in appropriate formats to support decision-making.

Managing resources - Workforce Planning

77 The Service is strengthening and modernising its processes for workforce planning and people development. However, most initiatives are at an early stage and have yet to demonstrate outcomes. Recruitment of female firefighters is on course to meet 2013 targets, but the Service continues to struggle to attract ethnic minority candidates. Sickness absence is low and there is an increasing emphasis on identifying and developing talent.

78 A revised Learning and Development Strategy has recently been adopted with an emphasis on increasing the capacity of the workforce and modernising training approaches. Recruitment processes have been strengthened by adoption of national standards and the replacement of local interviews with promotion boards and assessment centres. However, the Service recognises that further work is needed before a comprehensive approach to staff development can be said to be in place.

79 Skill gaps have been identified in some areas, for example in relation to knowledge of fire behaviour among retained personnel. However, the Service lacks a broader workforce plan or strategy setting out current staffing capacity, demands and risks over the medium-term and how these will be met. Historically, workforce planning has been undertaken on a timescale of only 12-18 months, although forward planning does occur in relation to future retirements.

- 80** Senior management is committed to workforce modernisation and a number of strands are being pursued, although it is too soon to report significant outcomes in this area.

The Service has also begun consultation with the representative bodies on the implementation of 12 hour shifts. However, a proposal in the draft IRMP for 2009/10 to review staffing and introduce a more flexible model at regular stations was removed due to a lack of political support

Looking forward

As Cumbria begins the recovery from the November 2009 floods, the Council has a major role to play in ensuring that damaged infrastructure is repaired, services continue to be provided and that the economic implications are minimised. This may mean that the Council needs to reconsider its priorities over the coming year.

Even without this, the Council has many other challenges, not least managing finances within reducing resources.

Organisational Assessment and Comprehensive Area Assessment

81 In December 2009 the Audit Commission will publish its findings from the review of Cumbria County Council's Organisational Assessment which forms part of the Comprehensive Area Assessment for Cumbria as a whole. These assessments draw on our findings from our work on the Council's use of resources but are separate judgements made by the Audit Commission's Comprehensive Area Assessment Lead (CAAL).

Use of Resources Assessment during 2009/10

82 The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. In 2009/10, KLOE 3.1 - natural resources will not be assessed but KLOE 3.3 - workforce planning will apply to County Councils. As we have not assessed the Council's workforce planning before we plan to commence our work in this area early in the New Year.

Closing remarks

- 83** I have discussed and agreed this letter with the Chief Executive, the Director of Resources and the Chief Finance Officer. I will present this letter at the Audit Committee in December 2009 and will provide copies to all Council members.
- 84** Tables 2 and 3 provide information about the reports completed on the audit and the audit fees for the 2008/09 audit year.

Table 3 Reports issued during the 2008/09 audit

Report	Date issued
Audit Plan	June 2008
Follow up of e5 project	May 2009
Annual Governance Report	September 2009
Positively charged - review of income	September 2009
Risk Management in the Cumbria Strategic Partnership	October 2009
Use of Resources	November 2009

Table 4 Audit fees

Audit fees have increased from my original plan because of the additional work required to support my work on the audit opinion

	Planned	Actual
Audit fee	£292,320	£321,320
Pension Fund fee	£48,000	£48,000
Total audit fees	£340,320	£369,320

Acknowledgements

85 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.

Independence

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

Karen Murray
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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