

# Annual Audit Letter

---

---

Hyndburn Borough Council

Audit 2008/09

November 2009



---

# Contents

<b>Key messages</b>	<b>3</b>
<b>Financial statements and annual governance statement</b>	<b>5</b>
<b>Value for money and use of resources</b>	<b>7</b>
<b>Closing remarks</b>	<b>10</b>
<b>Appendix 1 – Use of resources and value for money conclusion</b>	<b>11</b>

---

## 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.
-

# 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.**

---

## Audit opinion

- 1 I issued an unqualified audit opinion on your 2008/09 financial statements on 28 September 2009. The arrangements for producing the accounts worked well, with good working papers being provided to support the figures in the accounts. The main issue I identified in carrying out my review related to the misclassification of the Elevate grant of approximately £7.6m, which has now been correctly shown under the net cost of services. This change has not had any impact on the Council's reported outturn position.

## Value for money conclusion

- 2 I have assessed your corporate arrangements for securing economy, efficiency and effectiveness in the use of resources against the 7 criteria specified by the Audit Commission. I have concluded that your arrangements are adequate and issued an unqualified conclusion on the Council's value for money arrangements.

## Use of Resources

- 3 I have assessed how well you are using and managing your resources to deliver better value for money based on the Audit Commission's methodology and my assessment is as follows.
  - Managing Finances - Level 3: Performs Well.
  - Governing the Business - Level 3: Performs Well.
  - Managing Resources - Level 3: Performs Well.

---

### Comprehensive Area Assessment and organisational assessment

- 4 The Audit Commission introduced a new assessment regime during 2009, Comprehensive Area Assessment. This aims to review the performance of local partners in delivering better outcomes for local people. The assessment is designed to focus attention on areas that need attention in order to deliver additional and sustained improvement. Our work in this area is being led by the local Comprehensive Area Assessment Lead (CAAL). The CAAL shared his findings with officers and he formally reported on 9 December 2009. Alongside the CAA report we issued our organisational assessment which combines our judgements on your use of resources and managing performance. Any issues arising will be discussed with you and planned into future years audit and assessment activity.

---

### Audit fees

- 5 I set out in my audit plan in June 2008 my proposed fee of £100,231. I am able to confirm that the audit has been completed in accordance with the plan and no additional fee is required.

---

### Independence

- 6 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

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

---

## Significant issues arising from the audit

- 7 I issued an unqualified audit opinion on your 2008/09 financial statements on 28 September 2009. The main issue I found when examining your accounts was the Elevate grant of approximately £7.6m, which had been misclassified in your financial statements. The accounts were adjusted to show this under the net cost of services before I gave my audit opinion on the accounts. This change has not had any impact on the Council's reported financial outturn position.
- 

## Material weaknesses in internal control

- 8 I did not identify any significant weaknesses in your internal control arrangements.
- 

## Accounting practice and financial reporting

- 9 My review also considers the qualitative aspects of your financial reporting. Whilst the accounts mainly comply with CIPFA's Statement of Recommended Practice (SORP) there is some scope to improve the presentation and disclosure in the accounts by complying more fully with the requirements of the SORP in respect of these aspects.
  - 10 The Council has made a claim to HM Revenue & Customs to reclaim overpaid VAT on culture and leisure services but has not included a contingent asset note in the accounts. The Council has received an initial settlement of around £50,000 but it is uncertain, at this stage, whether any additional monies will be received in the future.
- 

## International Financial Reporting Standards (IFRS)

- 11 In March 2008 the Treasury announced that the annual financial statements of government departments and other public sector bodies would be prepared using International Financial Reporting Standards (IFRS) from 2009/10 onwards. For local government bodies the first full year of application is the 2010/11 financial statements but the starting period for this (the transition date) is 1 April 2009. Local government bodies will be required to produce their 2009/10 Whole of Government Accounts return on an IFRS basis.
-

- 12** As part of my 2008/09 audit I have completed an Audit Commission survey on the Council's progress in preparing for the implementation of the IFRS. The Council has made a good start in its preparations for IFRS. Officers have identified the key risk areas for Hyndburn, undertaken an initial analysis to assess the work required and are in the process of preparing methodologies for the various work areas. However, officers recognise that, in keeping with many councils, there is still considerable further work needed during 2009/10 to ensure that the required timeframes are met.

---

### Treasury management

- 13** As part of my 2008/09 audit, I completed an Audit Commission return on the Council's Treasury Management arrangements. The Council had no investments with Icelandic banks at the time of their collapse in 2008/09. There were no significant issues identified in my review. I noted that the Council plans to review its Treasury Management framework in the autumn of 2009 following updated CIPFA guidance.

---

# 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

- 14** 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.
- 15** 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.
- 16** The Council's use of resources theme scores are shown in Table 1 below. The key findings and conclusions for the three themes are summarised below. Our detailed findings have been set out in a separate report on Use of Resources.

---

**Table 1** Use of resources theme scores

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

---

### Managing finances

- 17** The Council has a good track record of managing its spending, with General Fund balances of over £3m at 31 March 2009. The medium term financial strategy (MTFS) reflects the Council's strategic objectives and priorities for the year and over the longer term. The Council has clear, high level priorities which reflect the needs of local residents and demonstrate the Council's detailed understanding of the scale of challenges and the opportunities faced. Priorities are based on a thorough understanding of the local context and are clearly based on local concerns.
- 18** The Council can demonstrate a good understanding of its comparative costs (including unit costs), spending and performance in priority areas. Performance management arrangements are very good, integrated with financial reporting and support the monitoring and improvement of services. The Council produces monitoring and forecasting information that is reliable, relevant and understandable on a regular and timely basis for budget holders throughout the year.
- 19** The Councils audited accounts in 2008/09 complied with statutory requirements and relevant reporting and accounting standards. A good closedown plan was put in place for 2008/09 which was adequately resourced.

### Governing the business

- 20** The Council and its partners have a clear vision of intended outcomes for local people based on a detailed analysis and understanding of needs. Effective partnership and neighbourhood working is helping the Council to deliver local community priorities. The Council has a robust framework in place to oversee data quality, including in partnerships. A strong performance culture supported by robust data quality arrangements is clearly documented in the Corporate Plan and actively promoted across the Council.
- 21** The Council has good governance arrangements in place. Roles and responsibilities within the Council are clear, understood by councillors and employees and promote effective decision-making. The management of risk is embedded within the culture of the Council and is integral to its approach to strategic management. A clear risk management policy and framework define the Council's approach to risk management.
- 22** A strong counter fraud culture is evidenced by the Anti-Fraud and Corruption Strategy. The Council has a pro-active programme of counter fraud and corruption work.

### Managing resources

- 23** The Council has developed a good strategic approach to workforce planning, recruitment and development with appropriate plans in place to support current and future needs. In its most recent Investors in People (IIP) assessment (November 2008) the Council was praised for its strong people culture and the general level of pride felt by the workforce in being an employee of the Council. In recent years the Council has successfully managed a number of significant organisational changes following consultation with staff and trades unions eg outsourcing housing and leisure and implementing the pay and reward review. Staff satisfaction and morale are both high.

## Value for money and use of resources

- 24** In the Best Council Survey 2008, Hyndburn was ranked 13th best for wellbeing. The Council was also amongst the top 20 councils nationally in the Times Best Council to Work For. After job evaluation, the Best Council survey ranked Hyndburn 16th in the country in terms of staff perceiving that they had a fair deal in relation to terms and conditions of employment.

---

### 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.
- 26** I issued an unqualified conclusion stating that Hyndburn Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. The criteria and my judgements are summarised in Appendix 1.

# Closing remarks

- 27** The economic downturn, public sector funding and the banking crisis are having a very significant impact on public finances and the bodies that manage them. It is envisaged that there will be wide ranging and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes in the short to medium term, including pressures on income streams. There are further challenges for policy priorities where patterns of demand for services are also changing. These changes and the Council's response will be a key focus of my attention for future audits.
- 28** I have discussed and agreed this letter with the Managing Director and the Executive Director. I will present this letter at the Audit Committee in January 2010 and will provide copies to all committee members.
- 29** 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 2**

Report	Date issued
Audit Plan	June 2008
Annual Governance Report	September 2009
Audit report on your financial statements	September 2009
Use of Resources 2009	December 2009
Annual Audit Letter	December 2009

- 30** 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.

Clive Portman  
District Auditor  
December 2009

---

# Appendix 1 – Use of resources and value for money conclusion

The following tables summarise the Use of Resources themes scores and VFM conclusion.

---

## Managing finances

Theme score	
KLOE 1.1 (financial planning) Score VFM criterion met	3 Yes
KLOE 1.2 (understanding costs and achieving efficiencies) Score VFM criterion met	3 Yes
KLOE 1.3 (financial reporting) Score VFM criterion met	3 Yes

---

**Governing the business**

<b>Theme score</b>	
<b>KLOE 2.1 (commissioning and procurement)</b> Score VFM criterion met	<b>3</b> <b>Yes</b>
<b>KLOE 2.2 (data quality and use of information)</b> Score VFM criterion met	<b>3</b> <b>Yes</b>
<b>KLOE 2.3 (good governance)</b> Score VFM criterion met	<b>3</b> <b>Yes</b>
<b>KLOE 2.4 (risk management and internal control)</b> Score VFM criterion met	<b>3</b> <b>Yes</b>

## Appendix 1 – Use of resources and value for money conclusion

### Managing resources

Theme score	
KLOE 3.1 (natural resources) Score VFM criterion met	Not assessed at district councils in 2008/09
KLOE 3.2 (asset management) Score VFM criterion met	Not assessed at district councils in 2008/09
KLOE 3.3 (workforce planning) Score VFM criterion met	3 Yes

---

# 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.

---

## Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

---