

Annual Audit Letter

Mansfield 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 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.

- 1** You can take assurance from the fact that I have been able to give an unqualified opinion on the financial statements. The draft financial statements were changed to correct a number of errors but officers have agreed to address the issues identified by our audit. This should improve the quality of next year's financial statements.
- 2** I have also given an unqualified value for money conclusion as you have adequate processes in place to manage and use your resources to deliver value for money. The next step is for you to demonstrate that these processes are helping you deliver priority services to the community.
- 3** The financial position of the Council remains challenging. The Council will need to ensure that it continues to monitor closely its financial position and takes appropriate action to enable it to remain within its budget.
- 4** 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 is that you are performing adequately. You are tackling things that are most important to local people, like reducing crime and antisocial behaviour, making the local economy stronger and keeping the area clean. In most of these areas you are making things better. You are reducing unemployment by helping some people into jobs and others to set up businesses, helping to lessen the effect of the recession.
- 5** Mansfield is continuing to get cleaner every year because you have improved the way you do things like street cleaning and dealing with fly tippers. You are good at making sure all people are treated fairly and have their needs taken into account. You are helping vulnerable people such as homeless people and victims of domestic violence with better support.
- 6** You are working with the police and others to help reduce crime and you recognise levels are still too high. The area needs more affordable housing and you need to manage your own houses better for tenants. You give local people lots of chances to get active and work with other public services to help improve people's activity and health, but this is still a challenge. You have good leadership and plans, including financial plans, to tackle your problems and to continue to improve the lives of local people.
- 7** Recommendations are shown within the body of this report and have been agreed with officers.

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.

Significant issues arising from the audit

- 8 I issued an audit report including an unqualified opinion on the financial statements on 14 October 2009. The financial statements presented to audit contained a number of errors which were amended. We did not identify any significant weaknesses in your internal control arrangements.
- 9 Officers continue to demonstrate a commitment to improving the closedown process. Nevertheless, there is still scope for improvement and we will continue to work closely with your staff to assist them in this matter.

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

- 10 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.
- 11 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.
- 12 The Council's use of resources theme scores are shown in Table 1 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

Table 1 Use of resources theme scores

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

- 13** Although the overall theme scores under the revised use of resources framework are lower than the scores achieved in previous years, this does not reflect any deterioration in overall performance as the basis of the assessment has been revised. The overall theme judgement of 2 means that the Council has arrangements which are consistent with established professional practice and guidance, meet statutory requirements and operate effectively. The Council is performing particularly well in its arrangements for:
- having financial reporting that is timely, reliable and meeting the needs of internal users, stakeholders and local people;
 - promoting and demonstrating the principles and values of good governance; and
 - managing risk and maintaining a sound system of internal control.
- 14** In order to move to the next level, the Council needs to demonstrate that these arrangements are not only effective but are having an impact on outcomes and the delivery of strategic priorities. We will agree an action plan with officers to enable them to identify opportunities to further improve performance.

VFM conclusion

- 15** 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.
- 16** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial standing

- 17** 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 financial position.
- 18** We reported in our Annual Governance Report that the Council had overpaid £1.622m to the Department for Communities and Local Government (DCLG) in respect of the pooling of housing capital receipts. Our interpretation of the guidance and regulations concluded that this amount did not need to be paid back as there was sufficient capital allowance to offset the payment and the decent homes programme meets the definition of allowable expenditure. The Council's external advice supported our interpretation. This will make a further £1.622 million available for capital purposes at this difficult time.

Value for money and use of resources

- 19** The latest forecasts for 2009/10 show a projected surplus of £163,000 on the general fund. The main reason for this is despite reduced income from certain services due to the impact of the economic climate, the Council also took measures to secure VAT refunds from previous years. These areas are being closely monitored and where possible action is being taken to limit the effects.
- 20** The budget 'gap' for 2010/11 currently stands at £1.24 million. The latest budget report to Cabinet on 30 November 2009 has identified areas for Members to consider in order to achieve a balanced budget.
- 21** The financial position of the Council therefore remains challenging. The Council will need to ensure that it continues to monitor closely its financial position and takes appropriate action to enable it to remain within its budget. I will continue to monitor the Council's response and actions in this key area.

Recommendation

- R1** The Council needs to continue to monitor closely its financial position and to take appropriate action to enable it to remain within its budget.

Organisational assessment

The Comprehensive Area Assessment Lead has used my use of resources assessment along with an assessment of how well the Council manages its performance to come to an overall assessment for the Council. This is known as the organisational assessment.

Managing performance

- 22 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.
- 23 The Council scores 2 out of 4 for managing its performance (the scoring mechanism is as for Use of Resources). The Council is good at concentrating on what is most important to improving the quality of local people's lives. As a result many things are getting better for local people. The job situation is improving and incomes are going up, although the recession is making it difficult to keep this up. Mansfield's environment is better, with cleaner streets and green open spaces, more recycling and much less dumping of waste.
- 24 Public satisfaction with the area as a place to live and with how the Council runs things is low compared to other districts in the country. However, compared to districts with similar levels of deprivation, satisfaction levels are relatively good.
- 25 The most important thing to people in Mansfield is having less crime and antisocial behaviour, and although it is reducing, it is still significantly higher than similar areas in the country. Despite good work by the Council, local people are concerned about antisocial behaviour. More work is still needed to deal with problems of respect and to encourage people to get along together.
- 26 The Council changes the way it provides services when it needs to, to make them better quality and value for money. Some of this is happening in its housing services to give tenants a better service, but it needs to get better still. And it needs to make sure there are affordable homes for people to live in.

Overall organisational assessment

- 27 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 the Council is that it performs adequately.

Organisational assessment

- 28** The Council is tackling things that are most important to local people, like reducing crime and antisocial behaviour, making the local economy stronger and keeping the area clean. In most of these areas it is making things better. It is reducing unemployment by helping some people into jobs and others to set up businesses, helping to lessen the effect of the recession.
- 29** Mansfield is continuing to get cleaner every year because the Council has improved the way it does things like street cleaning and dealing with fly tippers. It is good at making sure all people are treated fairly and have their needs taken into account. It is helping vulnerable people such as homeless people and victims of domestic violence with better support.
- 30** The Council is working with the police and others to help reduce crime, but levels are still too high. The area needs more affordable housing and the Council needs to manage its own houses better for tenants. The Council gives local people lots of chances to get active and works with other public services to help improve people's activity and health, but this is still a challenge. The Council has good leadership and plans, including financial plans, to tackle its problems and to continue to improve the lives of local people.

Closing remarks

- 31** I have discussed and agreed this letter with the Managing Director and Head of Finance and Revenue Services. I will present this letter to the Audit Committee on 22 January 2010 and will provide copies to all members.
- 32** 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
Annual audit and inspection plan	May 2008
Review of Internal Audit	February 2009
Opinion audit plan	March 2009
Review of Nottinghamshire LAA	June 2009
Annual governance report (including use of resources assessment)	September 2009
Auditor's report giving an opinion on the financial statements	September 2009
Value for money conclusion	September 2009
Organisational Assessment	December 2009

Audit fees

- 33** We were able to deliver the audit within the fee agreed at the start of the year as summarised below

Table 3 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	92,569	92,569	0
Value for money	24,151	24,151	0
Total audit fees	116,720	116,720	0

Closing remarks

Independence

- 34** I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.
- 35** 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.

Chris Wilson
District Auditor
December 2009

Appendix 1 – Use of resources key findings and conclusions

1 The following tables summarise the key findings and conclusions for each of the three use of resources themes.

Table 4 Managing finances

Theme score	2
Key findings and conclusions	
The Council has adequate arrangements for managing its finances.	
Theme score	2
KLOE 1.1 (financial planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council integrates its financial and corporate planning processes. It sets and approves a comprehensive, balanced and realistic budget, in a timely and efficient manner, supported by achievable savings plans.</p> <p>There is a soundly based policy on the level and nature of reserves and balances which is based on an assessment of risk. The Council's MTFS shows how financial resources will be used to assist in the delivery of the Council's priorities and those shared with its partners and is linked to other strategies.</p> <p>The Cabinet and corporate management team (CMT) exercise collective responsibility for financial matters. Members of the CMT accept responsibility for stewardship of Use of Resources. There is a corporate programme defined to promote financial literacy and skills in the Council, supplemented by relevant training.</p>	

Appendix 1 – Use of resources key findings and conclusions

KLOE 1.2 (understanding costs and achieving efficiencies)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council has made good use of cost and performance information to identify efficiencies and areas to invest to save. There is some benchmarking of costs but there is not yet robust understanding and benchmarking across whole Council, Information on costs for decision making is reasonable. All investment decisions have at least a basic appraisal based on objectives and other relevant considerations. Whole life costs are fundamental to capital and revenue decisions and monitoring but greater consistency is needed in their application. Overall costs are comparatively low, and in all areas below average, but although outcomes and performance are improving, performance is still below average in some key areas and therefore services are not demonstrating comparatively good value across the board.</p>	
Theme score	2
KLOE 1.3 (financial reporting)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council has a sound system of budgetary control. Accurate profiled information is reported to budget holders monthly, usually within nine days of the month end or sooner. The Medium Term Financial Strategy (MTFS) has been revised to include potential effects of the economic downturn and how the Council plans to minimise the effects on local businesses and residents. The Council demonstrates a strong corporate commitment and culture to producing good quality accounts and supporting documentation and meeting statutory deadlines and there is a history of preparing accounts that meet statutory requirements and financial reporting standards. The Council is planning to publish summary financial information in the annual report and corporate plan in 2008/09 as a result of consultation with stakeholders. Committees receive regular reports that are clear, relevant and concise, highlighting the key financial and performance issues and risks of which they need to be aware. The Council considers financial information alongside related performance information linked to strategic objectives to monitor financial performance across the range of council services.</p>	

Table 5 Governing the business

Theme score	2
Key findings and conclusions	
The Council has adequate arrangements for governing the business.	
KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
The Council has a well-established process for understanding local needs and issues, and a strong focus on understanding local diversity, with equality level 4. This understanding informs corporate planning. There is a track record of engaging with stakeholders and users to ascertain needs and aspirations, and a good understanding of the impact on, and satisfaction of, different groups, to inform developments. IT procurements, such as the new Revenues and Benefits system, have made savings. There is evidence of some collaboration with partners. The new contracts register means the Council can now monitor and manage contracts at a basic level. The Council challenges, benchmarks and reviews services and their costs with some improvements in VFM as a result.	
Theme score	2
KLOE 2.2 (data quality and use of information)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
The data quality framework is robust and monitored, and there is an annual programme of quality audit. The Council has adopted and implemented Nottinghamshire's data sharing protocol, including quality of partnership data. Spot checks have shown that the framework is not always applied consistently because data is not always accurate. There is high member confidence in performance information for decision making. Diversity and equality informs a range of decisions. Protocols for data and IT access and security are comprehensive and are monitored for compliance. The use of fit-for purpose information to manage performance is well established at all organisational levels, aligned with objectives, acted upon and leads to improved outcomes. The Council has not yet fully integrated cost and performance information for consistent and systematic management of VFM, and is not yet consistent about outcome-based targets.	

Appendix 1 – Use of resources key findings and conclusions

KLOE 2.3 (good governance)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council can demonstrate strong governance arrangements and raises the profile of good ethical governance. The Constitution is regularly reviewed. Members receive a thorough induction programme and have undergone individual development reviews to identify training and development needs. The Council has adopted codes of conduct for both members and staff and has laid down procedures to deal with breaches. The Standards Committee regularly monitors members' compliance with the code of conduct and considers any action required from this monitoring. Registers are held of both member and officer interest's. The Council has maintained its focus on delivering its strategic priorities in the economic downturn and has shifted resources to support vulnerable residents. The Partnership Protocol and Toolkit sets out the standards of governance required and is used to evaluate all the Council's significant partnerships. There are examples of good working relationship and confidence in partnerships, with positive outcomes for the community.</p>	
Theme score	2
KLOE 2.4 (risk management and internal control)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council demonstrates strong risk management and internal control arrangements coupled with the negative assurance that there have been no significant issues in internal control in recent years.</p> <p>The Council has a risk management policy and maintains a corporate risk register which is reviewed by the Strategic Risk Group for challenge. A comprehensive training programme has been delivered to both officers and members, particularly the Audit Committee which has a specific responsibility to oversee the Council's corporate risk management arrangements. All significant partnerships' risk management arrangements are evaluated on an annual basis as part of an overall evaluation process with a report to the Corporate Management Team. An example of significant improvements in risk management, including the introduction of a joint risk register, is in respect of the partnership to deliver the Council's decent homes programme.</p> <p>The Anti-Fraud and Corruption Strategy and whistle blowing arrangements are on the Council's intranet and internet and are easily accessible by staff, partners and the public. Benefit prosecutions are publicised. A fraud hot line is available. The Council has effective working arrangements and shares intelligence with relevant partner organisations for example the police and DWP. There is a corporate complaints procedure. The Audit Committee monitors implementation of both Internal Audit and External Audit recommendations on a quarterly basis which has resulted in improvement in the implementation of recommendations.</p>	

Table 6 Managing resources

<p>KLOE 3.3 (workforce planning)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council is implementing its People Strategy 2007/10 but is working from a low baseline. There is not yet a comprehensive forward-looking view of skills gaps in the form of an agreed workforce development strategy (WDS). However, through robust skills audits in many areas there is an understanding of gaps at service level and action has been taken to bridge them, particularly through the good 'skills for life' programme, and through the service planning and individual performance management, which focuses on development. Competency-based recruitment is effective and investment in multi-skilling has supported, for example the housing restructure. Managerial competencies are being developed through the management and leadership development programmes. Absence management is getting more effective but there is not yet a strong track record of reduction.</p> <p>The people strategy is being implemented to plan and the Council is developing across most areas. It is developing and improving its information base about both the current workforce's profile and skills, and its needs for the future. The WDS 2009/12 is in draft, and is currently based on a minimum level of information about the profile of the workforce and what is known about skills gaps.</p> <p>Communication and engagement, including about significant change, for example structural reviews, has been good and the staff survey and departmental feedback initiatives evidence this through improving morale and advocacy. Post -implementation review of organizational change is not formally used to gauge the impact of change on staff.</p> <p>People management policies and practices are in place, including good diversity and equality policies, which comply with legislation, being applied, and are reviewed. Managers are trained and supported through internal and external programmes to apply policies and implement good diversity practice. Through improving its own efficiency, HR has increased capacity to support managers in implementing policies such as managing poor performance and sickness absence.</p>	

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Audit Letter 2008/09 Recommendations						
7	R1 The Council needs to continue to monitor closely its financial position and to take appropriate action to enable it to remain within its budget.	3	Head of Finance and Revenue Services	Yes	This is an ongoing process.	Ongoing

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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