

Annual Audit Letter

Oadby and Wigston Borough 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.

Audit opinion

- 1 I issued an audit report including an unqualified opinion on the financial statements on 29 September 2009.
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Financial statements

- 2 The draft financial statements were changed to correct minor errors which resulted in an £8,000 increase in the general fund balance and £31,000 transfer from Useable Capital Receipts to the Capital Reserve. Some presentational amendments were also made.
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Value for money

- 3 I gave an unqualified value for money conclusion as you have adequate arrangements in place to manage and use your resources to deliver value for money. The next step is for you to strengthen arrangements and be able to demonstrate improvements in outcomes in some key areas.
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Financial position

- 4 The Council has a history of living within its financial means. The Medium Term Budget Strategy aims to contain costs of services within available resources whilst maintaining financial health and keeping council tax as low as possible. Whilst for 2009/10 and 2010/11 the Council plans to utilise some reserves to balance the budget, this is only for specific purposes which are approved by the Council. The Council plans to keep reserves at a reasonable level.
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Organisational assessment

- 5 Overall, the Council performs adequately. The Council has continued to make progress in the last year in improving services and the way it works. Residents' satisfaction with the Council is high and some services are performing well such as waste collection and housing benefit. However, others such as sport and leisure and housing are not. But leadership is good and well focused, priorities are now clear and this should help the Council make improvements where they are needed in the next year.
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Audit fees

- 6 Due to additional work involved in auditing the new payroll system, an additional fee of £2,300 has been charged.

Table 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	77,700	75,400	2,300
Value for money	23,500	23,500	0
Total audit fees	101,200	98,900	2,300
Non-audit work	0	0	0
Total	101,200	98,900	2,300

Actions

- 7 Recommendations are shown within the body of this report and have been agreed with officers.

Independence

- 8 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 accounts for its stewardship of public funds.

Significant issues arising from the audit

- 9 I issued an audit report including an unqualified opinion on the financial statements on 29 September 2009.
 - 10 The draft financial statements were changed to correct minor errors which resulted in an £8,000 increase in the general fund balance and £31,000 transfer from Useable Capital Receipts to the Capital Reserve. Some presentational amendments were also made.
-

Material weaknesses in internal control

- 11 I did not identify any significant weaknesses in your internal control arrangements.
 - 12 I have not provided a comprehensive statement of all weaknesses which may exist in internal control, or all the improvements which may be made. I report only those matters which have come to my attention because of the audit procedures that we have performed.
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Accounting Practice and financial reporting

- 13 I considered the qualitative aspects of your financial reporting.
 - 14 I reported four issues to the Resources and Regeneration Committee in my Annual Governance Report.
 - 15 The actuarial valuation of pension fund assets differed from the actual year end value of assets in the Leicestershire County Council pension fund by 3.3 per cent or £1.5 billion. This meant that, on the balance sheet, scheme assets were potentially overstated and the net pension fund liability and pension scheme reserve were potentially understated by the same amount. The amounts involved were not material and as the accounts were prepared using appropriate estimates no amendments to the accounts were required.
 - 16 For 2009/10, officers have agreed to take action in respect of the following:
 - introducing a formal de-minimis level for capitalising expenditure;
 - reviewing general fund debtors including £11k of debts over six years old; and
 - reporting movements in reserves.
-

International Financial Reporting Standards (IFRS)

- 17 International Financial Reporting Standards (IFRS) will apply to local government for the 2010/11 published accounts. These will include comparative figures for 2009/10. This means that the Council needs to be in a position to provide the necessary financial and operational information from 1 April 2009.
- 18 I have reviewed the Council's plans for transition to IFRS, which include briefings for members on the process. At this stage I am satisfied that officers have adequate arrangements in place to comply with the new requirements in a timely manner, but there is still significant preparatory work to be completed to comply fully with IFRS.

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

- 19 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.
- 20 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.
- 21 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	2
Managing resources	2

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- 22 The Council scores 2 out of 4 for Use of Resources. Its arrangements across all areas are solid. They meet minimum acceptable levels of performance and are consistent with established practice and guidance, meet statutory requirements and operate effectively. Whilst all KLOE have been assessed as 2 there are, within these, some stronger aspects of performance, such as accounts production and joint working with partners in some areas.

- 23 Most residents surveyed think that the Council offers value for money. In 2008/09, it improved the way it makes sure it is managing its money and other resources. However, the benefits of the changes won't be fully felt until 2009/10.
- 24 The Council lives within its means and sticks to the budgets its sets. The Council's costs are lower than those of other councils. Some of its services are better than those of similar councils but others are worse. It is well aware of costs and tries to keep council tax low.
- 25 The Council takes a positive approach to saving money by sharing services with other councils. It actively pursues opportunities to do this with other councils in Leicestershire.
- 26 In common with many authorities, the challenge in order to achieve higher scores is to demonstrate how your arrangements result in improved outcomes consistent with the Council's aims and those of its key partners.

VFM conclusion

- 27 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.
- 28 I issued an unqualified conclusion stating that, in 2008/09, the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial position

- 29 The economic downturn and banking crisis is 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, including pressures on income streams. There are further challenges for policy priorities where patterns of demand for services are changing.
- 30 This has an impact on the audit and as part of my responsibility, I have reflected on the wider environment, specific issues and risks and the Council's response.

Value for money and use of resources

- 31 The Council has a history of living within its financial means. The Medium Term Budget Strategy aims to contain costs of services within available resources whilst maintaining financial health and keeping council tax as low as possible. Whilst for 2009/10 and 2010/11 the Council plans to utilise some reserves to balance the budget, this is only for specific purposes which are approved by the Council. It plans to retain reserves at a reasonable level. The Council has identified the key risks to its budget as additional costs of the new national travel concession and declining income from the effects of the recession. The Council is working well with partners to help minimise the local effects of the recession. It has formulated an action plan designed to support businesses through improved information, business advice, responding to business enquiries and improve links with colleges and universities.

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.

- 32** Comprehensive Area Assessment (CAA) is a new way of assessing local public services in England. It examines how well councils are working together with other public bodies to meet the needs of the people they serve. It is a joint assessment made by a group of six independent watchdogs and will provide an annual snapshot of quality of life in the area. There is also an organisational assessment for each council within the CAA. For district councils this assessment is made by the Audit Commission alone.
- 33** The organisational assessment brings together the use of resources judgement with the Council's managing performance assessment. Overall, the Council performs adequately. The Council has continued to make progress in the last year in improving services and the way it works. Residents' satisfaction with the Council is high and some services are performing well such as waste collection and housing benefit. However, others such as sport and leisure and housing are not. But leadership is good and well focused, priorities are now clear and this should help the Council make improvements where they are needed in the next year.

Table 3 **Organisational assessment**

Managing performance	2 out of 4
Use of resources	2 out of 4

- 34** The Council scores 2 out of 4 for managing performance. This is because it is helping improve the quality of life of residents in the borough through its services but some of them are not performing as well as the national average.
- 35** Services to council housing tenants were found to be 'poor' in a 2008 inspection but the Council is now working hard to improve them. It has started to support those with money and debt problems through its neighbourhood team.
- 36** People in Oadby and Wigston generally get on well together and feel safe. The Council works successfully with the police and other public services to improve safety in the area. Together they are making progress in dealing with anti-social behaviour in the borough.

Organisational assessment

- 37 Oadby and Wigston is a well kept area. Standards of cleaning are mostly high which is recognised by residents in customer satisfaction surveys. The Council is one of the best in the country at recycling waste but its overall approach to addressing climate change and the need to save energy is new and will take time to develop.
- 38 The Council is helping local businesses in response to the recession and has developed plans to improve the local economy in the future.
- 39 Working with other public services, the Council has been successful in making available more ways for residents to use services through the internet and in local libraries. The Council is starting to develop schemes to help improve the health of residents but they are at an early stage. Its sport and leisure facilities are not giving council tax payers value for money.
- 40 The Council has made progress since 2008. It worked hard to develop new plans which are based on what local people feel is important. It now has clear priorities and this should help it make more improvements in 2009/10. This combined with good and focused leadership from senior officers and councillors puts the Council in a strong position to improve in the future.

Closing remarks

- 41 I have agreed this letter with the Chief Executive and the Interim Director of Resources. I will present this letter at the Resources and Regeneration Committee on 26 January 2010 and will provide copies to all Members.
- 42 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 4

Report	Date issued
Audit Plan	May 2008
Annual Governance Report	September 2009
Opinion, Value for Money Conclusion and Certificate	September 2009
Organisational Assessment	December 2009

- 43 The Council has taken a positive and constructive approach to our audit. I wish to thank the Council's staff for their support and co-operation during the audit.

Neil Bellamy
 District Auditor
 December 2009

Appendix 1 – Use of resources key findings and conclusions

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

Managing finances

Theme score	
Key findings and conclusions	
The Council has had the building blocks of integrated financial planning, monitoring and reporting in place for a number of years, particularly as relatively small budgets have to be well managed. However, 'Bigger Borough' (a wide ranging report which sets out new ways of thinking) is cross cutting and its impact has yet to be measured. Understanding of costs is not consistent across the Council.	
KLOE 1.1 (financial planning) Score VFM criterion met	2 Yes
Key findings and conclusions	
<p>The Council now integrates strategic and service financial planning but 'Bigger Borough' is still new and subsequent service plans started in 2009/10. The Council has substantially improved all aspects of consultation through 'Bigger Borough' and this is starting to impact on services and financial planning in 2009/10. Budgets are consistently managed within resources and external factors such as the impact of the current economic recession are taken into account. Responsibilities for finances at a corporate level and within services are now clear although historically there have been some capacity problems.</p> <p>Areas for improvement</p> <ul style="list-style-type: none"> • New plans need to be fully embedded before improvements can be demonstrated. 	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.2 (understanding costs and achieving efficiencies)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>Unit costs are lower than most district councils for an overall performance slightly above average. The Council has performed well at delivering its annual efficiency targets, and uses cost information to aid policy decisions. There are some examples of maintaining services with the same or fewer resources being input, such as benefits. There has been positive recent progress on shared services eg ICT, payroll, access through libraries.</p> <p>Areas for improvement</p> <ul style="list-style-type: none"> • Carry out a mid-term review of the leisure contract to identify potential savings or efficiencies. • Continue to identify potential for savings from shared services. • Develop the Council’s understanding of unit and transaction costs in all areas eg landlord services. • Understand full life costing across services. • Ensure further progress is made in following up the cultural services inspection. 	
<p>KLOE 1.3 (financial reporting)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The Council has a strong track record of managing performance against budgets. Annual accounts are produced in accordance with relevant standards and timetables, supported by comprehensive working papers.</p> <p>The Council promotes external accountability, including talks at Resident Forum meetings about Council finances, and a user-friendly annual report on the accounts to all of its residents via its newsletter ‘Letterbox’.</p> <p>Areas for improvement</p> <ul style="list-style-type: none"> • Develop financial reporting style by looking at how reports include information to the general user. • Demonstrate that appropriate financial monitoring is in place for all partnerships. 	

Appendix 1 – Use of resources key findings and conclusions

Governing the business

Theme score	
Key findings and conclusions	
<p>The Council's procurement arrangements are solid and it has an open approach to commissioning and procurement. However, this is not systematically and consistently implemented across the whole organisation.</p> <p>Arrangements for producing relevant and reliable data to support decision making and manage performance are currently sound and developing well.</p> <p>The ethical framework at the Council has been established for a number of years but the Council needs to improve its governance arrangements for its partnerships.</p> <p>Risk management is embedded through all levels of staff within the organisation and within business processes, but it is not yet extended to partnership arrangements.</p> <p>Internal control arrangements are generally sound except that Internal Audit resources are constantly strained, and the functions of an audit committee are spread between two member bodies.</p>	
KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council has an open approach to procuring and commissioning services. This is reflected in its mixed economy of service delivery which includes in-house services such as waste, a private contractor managing its leisure centre, and other services commissioned through the voluntary sector.</p> <p>The Council's track record of involving users and stakeholders is mixed. There has been good tenant involvement in procurement decisions for housing maintenance, and consultation was undertaken with residents before the waste contract was tendered. However, other services such as leisure have had limited customer engagement in procurement processes.</p> <p>Service re-design is developing but only in selected areas. The Council has been successful in transforming its benefits services through new business processes and ICT and there are some early signs of improvement to the housing repairs service. Access to services has also been extended into libraries. However, other services have not been through rigorous reviews.</p> <p>Areas for improvement.</p> <ul style="list-style-type: none"> • The strategic approach to procurement is not fully developed. The Council's clear vision of intended outcomes to inform procurement is still developing. • There is a lack of a consistent approach to options appraisals and market testing in some areas eg leisure contract. • Electronic access to services is not fully developed. 	

Appendix 1 – Use of resources key findings and conclusions

<ul style="list-style-type: none"> • Efficiencies through ICT are limited although work is now taking place to address this (partnership working with another authority identified by SOCITM as ‘excellent’); and • There is mixed success in achieving a balance between the competitiveness of services and achieving value for money while meeting wider social, economic and environmental objectives. For example, this is better developed in waste management than in leisure. 	
KLOE 2.2 (data quality and use of information) Score VFM criterion met	2 Yes
Key findings and conclusions <p>Commitment to data quality is implicit within the performance management system. Performance management information has greatly improved, with the “TEN” system well embedded. This information is now being used to drive improvement.</p> <p>Information provided to decision makers (officers, members and champions’) is much improved. Data produced internally is generally reliable, with good data sharing with some partners (eg Police). However, with other partners this is still developing eg Leisure Connection.</p> <p>Data security arrangements are adequate.</p> <p>Areas for improvement</p> <ul style="list-style-type: none"> • Commitment to data quality has yet to be fully reflected in corporate documents. • Leicestershire Together DQ strategy is in place but not yet embedded. • Whilst service planning and reviews are beginning to address data quality issues, this process has yet to become fully embedded. • Action is still needed in response to a 2007 internal report which identified that disaster recovery arrangements needed to be strengthened. • Data sharing protocols with partners are not fully developed (although now improving). • Historically, the Council has been slow to respond to poor performance when identified in some areas eg initial landlord services inspection (but faster response to the follow up inspection), leisure facilities. 	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The Council has a governance framework in place and the Constitution clearly defines the roles and responsibilities of Members and Officers. An established ethical framework is in place, supported by the work of the Standards Committee. The assurance framework was reviewed by the Policy Committee in March 2008 and formed the basis of the 2008/09 Annual Governance Statement.</p> <p>Areas for improvement</p> <ul style="list-style-type: none"> • Improve governance arrangements for partnerships (the Council has included this in its Annual Governance Statement action plan for 2009/10). • Review the definition of partnerships to include other joint working arrangements such as the leisure contract. 	
<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The Council manages its significant business risks. Training is provided to Members annually by Zurich. This covers the overall arrangements at the Authority and looks at potential new risks such as CAA. The Council has recognised that the management of risk extends to its partnerships and has requested a peer challenge of its LSP and CDRP partnerships. The Council has arrangements in place to maintain a sound system of internal control, and to promote and ensure probity and propriety in the conduct of its business.</p> <p>Areas for improvement</p> <ul style="list-style-type: none"> • A risk analysis for value of money was undertaken last year but it has yet to have impact. The Council only adopted a VFM strategy in June 2009. • Internal Audit resourcing is an issue although the Council is currently revising its risk-based approach to systems testing. • Build on issues arising from the peer challenge of partnerships. 	

Managing resources

Theme score	
Key findings and conclusions	
The Council has building blocks in place for managing human resources including a Workforce Planning Strategy, PMS system and training. There is also a programme of training for members. However capacity remains an issue and there is currently a vacancy for a Strategic Director.	
KLOE 3.1 (use of natural resources) Score VFM criterion met	Not assessed N/A
KLOE 3.2 (strategic asset management) Score VFM criterion met	Not assessed N/A
KLOE 3.3 (workforce planning) Score VFM criterion met	2 Yes
Key findings and conclusions	
Adequate performance management arrangements are in place. Some work is still in progress to align the targets of individuals to service plans. Related training and development for members has improved. The Council has adequate policies for management and diversity eg IIP Areas for improvement <ul style="list-style-type: none"> • Workforce planning has stalled in recent years but is now high on the agenda (currently a review of the management structure is being undertaken). • An understanding of future skills gaps, and policies to address them, are not fully developed. 	

The Audit Commission

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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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