

Annual Audit Letter

Rushmoor 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 We completed our work in line with the statutory timetable and issued an unqualified opinion on your financial statements and whole of government accounts consolidation pack on 29 September 2009.
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Financial statements

- 2 The financial statements submitted for audit were produced on time, to a good standard and contained no material errors.
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Value for money

- 3 The Use of Resources exercise for 2008/09 is new. This year the scoring focuses much more heavily on outcomes being achieved by the Authority from its resources. The scored assessment criteria establishes that, at level 2, the Authority has implemented effective arrangements that:
 - are consistent with established best professional practice and guidance and meet statutory requirements;
 - are operating effectively;
 - sufficiently address the scope of the key lines of enquiry; and
 - informed by priorities with supporting action plans.
- 4 We concluded that you are consistently meeting or exceeding the minimum acceptable levels and achieving value for money. All areas were scored at level 2 or better. It is clear that you continue to drive forward improvement programmes and there is some evidence of tangible outcomes.
- 5 There are areas where the Council needs to consider further development to embed, secure, and evidence outcomes. In order to move to the next level within the new assessment framework the Council needs to be able to demonstrate for each KLOE and across the whole scope of the KLOE that effective, forward looking proactive arrangements are in place supported by sophisticated measuring and assessment techniques. This is needed to provide evidence of performing consistently above standards. The Council also needs to evidence outputs and outcomes that demonstrate the arrangements are effective and have the intended impact.

- 6 Based on the work completed for our use of resources assessment. We issued an unqualified VFM Conclusion on your arrangements for securing economy, efficiency, and effectiveness in the use of your resources on 29 September 2009.

Table 1 Audit fees

	Actual £	Proposed £	Variance £
Financial statements and annual governance statement	55,600	55,600	0
Value for money	51,300	51,300	0
Total audit fees	106,900	106,900	0
Non-audit work	0	0	0
Total	106,900	106,900	0

Actions

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

Your financial statements and annual governance statement are an important means by which you account for your stewardship of public funds.

Significant issues arising from the audit

- 9 Our overall materiality level for the opinion audit at Rushmoor Borough Council was set at £1 million in line with guidance issued by the Audit Commission and International Auditing Standards. With this overall level of materiality the level of error for reporting to those charged with governance was set at £10,000.
- 10 There were no material errors or issues identified from the audit of your accounts. There was one non-material error relating to a prior period adjustment (PPA) in respect of a change in accounting policy relating to the valuation of investments in the pension fund which we reported in our Annual Governance Report presented to the Licensing and General Purposes Committee. The error resulted in an immaterial increase in the pension scheme reserve of £70,000.
- 11 As this adjustment was neither fundamental nor material the adjusting entries should have been posted in-year. As this would have required significant additional work to restate the pension transactions you proposed not to amend. We confirmed we were satisfied with your decision not to amend due to the immaterial nature of the transaction and you confirmed your reasons for not amending in the letter of representation provided to us at the end of the audit.

Recommendation

R1 In future, prior year adjustments should only be actioned where the nature of the adjustment is both fundamental and material.

- 12 One issue we noted for you to consider for improvement in the 2009/10 accounts related to the information in, and presentation of, the explanatory foreword. Although information in the foreword is consistent overall with the financial statements the current presentation makes does not clearly explain to users of the accounts the reasons for differences in the costs of services disclosed in the budget statement and the income and expenditure account.

Recommendation

- R2** The presentation of the explanatory foreword to the accounts should be reviewed to ensure that there is a more explicit link between the budget information and the entries in the financial statements.

Material weaknesses in internal control

- 13** Whilst we did not identify any significant weaknesses in your internal control arrangements that would influence our audit opinion, we did note in our Annual Governance report some areas where controls were not being operated consistently or effectively.
- 14** We raised one issue for improvement relating to the arrangements those charged with governance have in place to gain assurance that the risk of actual or suspected fraud in the financial statements is low. Although update reports to the Standards Committee contain references to work on investigations and the conclusions from that work, they do not specifically refer to the possible impact of potential fraud on the financial statements.

Recommendation

- R3** To support the process for the approval of the accounts, the format of the Internal Audit update to the Standards Committee should specifically address the overall assessed risk of fraud and the potential impact on the financial statements.

Accounting Practice and financial reporting

- 15** We also considered the qualitative aspects of your financial reporting. The Financial Statements were produced in line with agreed timetables and approved prior to the 30 June statutory deadline. Working papers were produced on time and were of a good standard to support the entries and disclosures in the accounts.

Whole of Government Accounts (WGA) - consolidation pack

- 16** Alongside the completion of the audit of your financial statements we have reviewed your whole of government accounts consolidation pack and concluded that this is consistent with the main financial statements. We issued an audit report, providing an unqualified opinion on 29 September 2009.

Value for money and use of resources

I considered how well you are managing and using your 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 you had put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in your use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 17** 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 minimum requirements and level 2 represents arrangements that are consistent with established professional best practice demonstrating leadership, partnership working, appropriate capacity, informed priorities, and delivery of action plans. This has been established as the minimum requirement for councils to achieve.
- 18** 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.
- 19** The Council's use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes are summarised below, and the assessments against the underlying KLOE, are set out in our separate use of resources report.
- 20** From 2008/09 the use of resources assessment is considerably more demanding than for previous assessments as well as being a broader assessment with a greater focus on outcomes and value for money achievements. To achieve a score of level 4 audited bodies must demonstrate excellent performance across the entire scope of the KLOE. Audited bodies must evidence that strong, innovative arrangements, have led to excellent outcomes throughout the year under review.

Table 2 Use of resources theme scores

The aggregate score on use of resources for Rushmoor was level 2

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

Managing finances

- 21** You have a history of sound financial management. The Authority is debt free and has a below average level of council tax. In recent years you have managed to deliver significant efficiencies whilst maintaining and improving your performance in key areas. Council tax increases have been contained within inflation and there is a sound level of reserves.
- 22** Future efficiencies have been identified in response to the challenging three-year medium term financial strategy and these have been translated into the Service Transformation Programme to ensure that financial efficiencies do not affect the quality of service. Projects within the Service Transformation Programme include externally facilitated process reviews and re-engineering to look at the fundamental purpose of services and the most effective way of meeting these. Efficiencies have been risk assessed and there is a focus on achieving real improvement in customer experience alongside financial gains. Significant outcomes from this work include:
- improved service performance and reduced avoidable contacts;
 - member and public support for service transformation;
 - proactive work on managing the impact of recession;
 - positive feedback on customer satisfaction; and
 - achievement of milestones against all corporate priorities and critical success indicators.
- 23** The costs of many services are higher than average, eg waste, but these are in priority areas where performance is good and improving and showing increased user satisfaction. You have recently developed an area profile along with partners, to help understand costs better. You acknowledge the need to progress whole life costing, although this was done robustly for the new waste contract. The importance of controlling costs has been stressed by adopting a key priority of 'becoming an efficient and responsive Council' in the corporate plan.
- 24** The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. You have responded with a prompt review of your treasury management and risk management arrangement. You have also reviewed and updated your medium term financial strategy and fed the potential risks into your proposed budgets.

Value for money and use of resources

Governing the business

- 25 You have a clear vision of the intended outcomes for local people and have involved local people, partners, staff, and suppliers in commissioning services. You have sought to improve the customer experience, quality, and value for money of services through service redesign. This has, for example, led to a large reduction (eight days) in benefits processing alongside releasing £55,000 of savings in staff costs.
- 26 The Service Transformation programme reviews the cost effectiveness, competitiveness, and value for money of each service to refocus and improve on customer service, while meeting other corporate objectives. The member development policy supports local councillors in their roles through learning and development and the Council has received a South East Charter award in recognition of its training for members.
- 27 Members and staff have high levels of awareness, and confidence in, the whistle blowing arrangements and the standards committee is working to ensure that both partners and the public have awareness of the local standards framework.
- 28 You acted promptly to terminate the Aldershot Town Centre Management partnership as it became clear the objectives of this were not being met.
- 29 Areas where improvement can be made to better link work undertaken to beneficial outcomes for local people were identified in respect of the risk management process, monitoring the quality of data used to generate national and local performance indicators, consultation results and demonstrating a proactive programme of counter fraud work. You also need a clear plan on how you will shape your commissioning and procurement to support your objectives and closer partnership working. You have recognised the need for and are working on developing commissioning and joint working strategies.

Managing resources

- 30 For 2008/09 our work on managing resources focussed on managing human resources. You have implemented a programme of development to maintain, and continue to develop, your productive and skilled workforce. Process reviews are being undertaken to identify for the medium to longer term what staff will be needed, with what skills. Work has also been undertaken to understand the effect of the ageing local population.
- 31 Training and development plans are in place and are being monitored to ensure all staff are suitably skilled for their roles. This has had the positive outcome of reduced levels of customer complaints and delays and the improved ability to effect transformation in the way services are delivered. The 'customer first' redesign of first contact services has now embedded and has received positive feedback from the public.

- 32** Rushmoor actively works with its partners to improve recruitment and has joined the Hampshire recruitment portal. You have engaged and supported staff in organisational change and the significant transformations in service delivery have been implemented without significant staff side concerns or disruption. Policies which support diversity and good people management are in place and are clearly advertised both internally and externally.
- 33** Areas where further improvement can be made relate to ensuring you continue to reflect the changing local demographics in your workforce, progressing longer-term workforce plans and staff well being initiative and review the success of new, more rigorous, absence management policies.

Use of Resources report

- 34** The detail of our findings and areas for future development are set out in our Use of Resources 2008/09 report. This contains the detail of the assessed performance against each of the underlying key lines of enquiry and identifies where there are gaps between the current levels of outcomes and the standard of evidence required to move to the next level of the assessment (performs well).

Recommendation

- R4** Monitor the implementation of action plans to address the areas for improvement identified from the 2008/09 use of resources assessment.

VFM conclusion

- 35** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against the 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 our Annual Governance Report discussed with the Licensing and General Purposes Committee.
- 36** As your use of resources judgements and the scored assessment of each of the underlying key lines of enquiry were marked in all areas as at least meeting the minimum standards required I was able to issue an unqualified conclusion stating that you had adequate arrangements to secure economy, efficiency, and effectiveness in your use of resources.

Closing remarks

- 37 I have agreed this letter with the Chief Executive and the Director of Resources. I presented this letter at the Cabinet on 24 November 2009 and will provide copies to all committee members.
- 38 Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued during the year.

Table 3

Report	Date issued
Audit and inspection plan	May 2008
Annual Governance Report	September 2009
Opinion on financial statements	September 2009
Value for money conclusion	September 2009
Use of Resources Report	October 2009
Annual Audit Letter	October 2009

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- 39 Rushmoor Borough Council has taken a positive and constructive approach to our audit. I wish to thank the Council, its officers and staff for their support and co-operation during the audit.

Kate Handy
District Auditor
November 2009

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Audit Letter 2008/09 Recommendations						
5	R1 In future, prior year adjustments should only be actioned where the nature of the adjustment is both fundamental and material.	2	Director of Resources	Yes		
6	R2 The presentation of the explanatory foreword to the accounts should be reviewed to ensure that there is a more explicit link between the budget information and the entries in the financial statements.	2	Director of Resources	Yes		
6	R3 The format of the Internal Audit update to the standards committee should specifically address the overall assessed risk of fraud and the potential impact on the financial statements to support the process for the approval of the accounts.	2	Director of Resources	Yes		
10	R4 Monitor the implementation of action plans to address the areas for improvement identified from the 2008/09 use of resources assessment.	2	Director of Resources	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.

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