

# Annual Audit Letter

South Ribble 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.**

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## Audit opinion and Financial Statements

- 1** The Council continues to produce financial statements which are of a high standard. I issued an unqualified opinion on the Council's statements on 30 September. This was the first year that the closedown arrangements have been the responsibility of the Council's shared service arrangement with Chorley Borough Council. My audit team has worked closely with officers in carrying out the audit and the arrangements for producing your accounts has worked well.
- 2** The Council's accounts submitted for audit were complete and contained no errors that affected the overall financial position. Changes made were to disclosure notes and to reflect late guidance on the likely recoverable amounts in respect of South Ribble's investment in Icelandic banks.

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## Value for money and Use of Resources

- 3** I assessed your corporate arrangements for securing economy, efficiency and effectiveness in the use of resources against the criteria specified by the Audit Commission. I issued an unqualified conclusion on the Council's value for money arrangements.
- 4** My work on the new Use of Resources assessment places a much stronger focus on the outcomes achieved from the Council's actions. It represents a harder test than the previous basis of assessment which was more focussed on the arrangements in place to deliver positive outcomes.
- 5** The Council received an overall score of 3 for its use of resources which means the Council is performing well.

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### Comprehensive Area Assessment and Organisational Assessment

- 6 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 has shared draft findings with officers and he is due to formally report on 10 December 2009. Alongside the CAA report we will issue 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. The outcome of this work will be reported on a new website to be launched by the Audit Commission on 10 December at <http://www.audit-commission.gov.uk/localgov/audit/CAA/pages/oneplace.aspx>

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### Independence

- 7 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 South Ribble Borough Council accounts for its stewardship of public funds.**

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## Significant issues arising from the audit

- 8 I issued an unqualified opinion on the Council's accounts on the 30th September. In my opinion the accounts present fairly South Ribble's financial position and its income and expenditure for the year.
- 9 Before giving my opinion I reported to the Governance Committee on the 23 September 2009, the key issues arising from the 2008/09 final accounts audit.
- 10 The Council prepared working papers to a good standard to support its financial statements and the transition to the shared service arrangement with Chorley Borough Council worked well. The annual governance statement reflected our understanding of the Council's arrangements to ensure effective stewardship of public monies and the outcome of its review of their effectiveness.
- 11 A change was made to the accounts following receipt of late guidance from CIPFA on the likely recoverable amounts in respect of the council's investments in Icelandic banks. Issues identified during the course of the audit included a classification error within the creditors disclosure note and an amendment to the Collection Fund account. None of the changes made have any impact on the Council's reported outturn position.

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## International Financial Reporting Standards (IFRS)

- 12 As part of my audit I have considered 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 South Ribble, undertaken an initial analysis to assess the work required and are in the process of pulling together all the information which will be needed in order to implement the IFRS requirements. Whilst there is still much work to complete, the Council is on track to achieve successful implementation by the stated deadlines.

# Use of Resources and Value for Money

I considered how well South Ribble Borough 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

- 13** 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.
- 14** 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.
- 15** The Council's use of resources theme scores are shown in Table 1 below. The key findings and conclusions for the three themes are included in a more detailed Use of Resources report that was issued in November 2009. Only the key messages are repeated here.

**Table 1 Use of Resources theme scores**

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

- 16** The Council has demonstrated a strong track record of managing its finances to deliver value for money and using cost and budget monitoring information to inform decision making. The Council has an impressive track record of delivering efficiencies, its three year target was £997,000 and actual gains amounted to £2,378,000.

## Use of Resources and Value for Money

- 17** The Council has investments in Landsbanki Island pf and Heritable Bank PLC totalling £5m and during the year I satisfied myself that the Council had acted in accordance with its agreed policies in making those investments, and that those policies were in accordance with the relevant professional accountancy body's (CIPFA) guidance at the time. I am satisfied that the Council and is taking appropriate action in terms of recovery, reassessing its financial position and reviewing its policies. The Council's Treasury Management policy has been reviewed and updated during 2008/09 and continues to be so in the light of the current economic environment and in particular the volatility of investment markets.
- 18** The Council commissions and procures services which deliver sustainable outcomes, improve value for money (VFM) and meet local needs. It has a track record of listening to local people and using their comments to design services. The Council analyses performance information alongside, financial, and risk data to identify any gaps in services (or under-performance) and future demands. Multi-agency projects are meeting specific needs and targeting inequalities; for example, the 'Families First' project has improved the quality of life and life chances for 26 vulnerable families. Work on reducing health inequalities has national recognition with mortality gaps having fallen in disadvantaged communities.
- 19** The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. South Ribble Borough Council is playing a leading role in helping businesses and communities in the difficult economic period. Initiatives include the Joint Redundancy Task Force working with Jobcentre Plus, Learning and Skills Council to provide advice/support to businesses and people in a redundancy situation. The Council has also been actively working with local colleges and housing associations.
- 20** Strategic risk management is fully integrated with the corporate planning and annual budget setting processes. South Ribble has sound systems of internal control including a strong Internal Audit section, which fully complies with CIPFA professional standards. Members play an active role in challenging and maintaining effective internal control mechanisms and delivery of the Council's ambitions for the local community.
- 21** People management is strong. The Council performs well in managing its staff to meet current and future needs and high satisfaction levels among users reflect staff commitment, including the time to respond to enquiries and service requests.

### VFM conclusion

- 22** 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 specifies each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.
- 23** I issued an unqualified conclusion stating that South Ribble Borough Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Closing remarks

- 24** I have discussed and agreed this letter with the Corporate Management Team. I will present this letter at the Scrutiny Committee on 14 December 2009 and will provide copies to all committee members.
- 25** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to South Ribble during the year.

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**Table 2**      **Reports issued during the year**

<b>Report</b>	<b>Date issued</b>
Audit Plan	June 2008
Audit Opinion Plan	June 2009
Annual Governance Report	September 2009
Opinion on the Financial Statements	September 2009
Value for money conclusion	September 2009
Use of Resources Report	November 2009
Audit Letter	December 2009

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- 26** The Council has taken a positive and constructive approach to our audit. I wish to thank the South Ribble staff for their support and co-operation during the audit.

Fiona Blatcher  
Engagement Lead  
December 2009

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# Appendix 1 – Audit fees

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## Audit fees

27 We agreed an audit fee for 2008/09 with the Council in June 2008. We subsequently took our audit opinion plan to the June 2009 Governance Committee where we outlined the need to undertake extra audit work in relation to the Council's investment in Icelandic Banks. As a result, we needed to increase our audit fee slightly by £1,800. This increase was agreed with the Corporate Director (Resources).

	Actual	Proposed
	£	£
Total audit fee	91,840	91,840
Total inspection fee	5,972	5,972
Total audit fees	97,812	97,812
Additional audit work	1,800	nil
Total	99,612	97,812

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# 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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## Copies of this report

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