

Annual Audit Letter

West Lancashire Borough Council

Audit 2008-2009

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 unqualified audit opinion on 25 September 2009.
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Financial Statements

- 2 The financial statements were produced ahead of the 30 June 2009 deadline and approved by the Audit and Governance Committee. The statements and supporting working papers were produced to a high standard and we received good co-operation from officers during the course of our audit. The financial statements submitted for audit were free from any material errors. We identified a small number of minor issues and these are set out in the Annual Governance Report presented to the Audit and Governance Committee on 24 September 2009.
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Use of Resources

- 3 I have completed my Use of Resources assessment at the Council. This is the first year of the Audit Commission's new methodology for assessment of the use of resources which seeks to evaluate how well the Council is managing and using its resources to deliver value for money and better sustainable outcomes for local people. The Council achieved an overall score of 2 which means the Council is performing adequately. Further detail is set out in the report below.
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Value for money

- 4 I assess 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.
 - 5 I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.
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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 9 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.

International Financial Reporting Standards

- 7 As part of my 2008/09 audit I have completed an Audit Commission survey on the Authority's progress in preparing for the implementation of IFRS. The survey indicated that the Authority is making good progress in putting into place arrangements for the implementation of International Financial Reporting Standards. Officers need to ensure they continue to monitor progress and ensure all required arrangements are in place.

Table 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	57,618	57,618	0
Use of resources	34,090	34,090	0
Total audit fees	91,708	91,708	0
Inspection	5,972	5,972	0
Certification of claims	tbc	35,000	tbc

- 8 I set out in my audit plan for 2008/09 my proposed fee of £97,680 for audit and inspection work. I am able to confirm that the audit has been completed in accordance with the plan.

Independence

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

Economic outlook

- 10** The economic downturn and banking crisis is having a 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.
- 11** This impacts on the audit and as part of my responsibility, I have reflected on the wider environment, specific issues and risks and the Authority's response. The Authority has sound financial planning arrangements in place and needs to continue to proactively manage its finances and other resources to address emerging financial risks.
- 12** I have also reviewed the Authority's treasury management arrangements. I am satisfied that the Authority has adequate treasury management arrangements in place.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council's accounts for its stewardship of public funds.

Significant issues arising from the audit

- 13** I issued an unqualified audit opinion on the financial statements on 25 September 2009. The financial statements submitted for audit were free from any material errors.
 - 14** The Annual Governance Report was presented to the Audit Committee on 24 September 2009. The report set out a small number of minor errors identified within the accounts which were above the trivial threshold of £16,740. Officers chose not to amend the accounts as the amounts involved were not material.
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Material weaknesses in internal control

- 15** I did not identify any significant weaknesses in your internal control arrangements.
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Accounting Practice and financial reporting

- 16** I considered the qualitative aspects of your financial reporting and reported two minor issues in the Annual Governance Report.

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

- 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 the minimum requirements at level 2.
- 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.

Table 2 Use of resources theme scores

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

-
- 20** The basis of the assessment has changed in 2009 and defines use of resources in a broader way than previously, embracing the use of natural, physical and human resources. It also places new emphasis on commissioning services for local people and achieving value for money.
- 21** The Council received an overall score of 2 for its use of resources which means the Council is performing adequately. I have made a small number of recommendations which are set out in my separate Use of Resources report.

Managing Finances

- 22** The Council has strong financial arrangements in place which effectively support the delivery of strategic objectives and have secured sound financial health. The Council has been debt free for a number of years whilst keeping council tax increases to a minimum and maintaining appropriate levels of balances and reserves. Budgets are closely monitored, enabling emerging financial pressures to be identified at an early stage and corrective action taken to minimise any negative impact on services.
- 23** The Council has a good understanding of the relationship between its costs and its performance and this helps it to achieve value for money. Good analysis of the impact on service quality of reduction in costs is helping it to make important decisions about priorities.
- 24** There are strong arrangements in place to support the preparation of the accounts and working papers are produced to a high standard. The Council publishes expected reports, accounts, minutes etc appropriately and have a readily accessible website that is easy to navigate and is well signposted. The Council has engaged with stakeholders and residents on the format and contents of key financial information and acted upon this feedback to redesign the summary statement of accounts and the Borough newsletter.

Governing the Business

- 25** The Council has a good understanding of local needs. Its priorities address the things that are most important to local people and they link well to the Sustainable Community Strategy priorities. The 'State of the Borough' report provides a good basis for officers and members to set priorities, budgets and service action plans. The procurement strategy and contract procedure rules set out a clear framework for contract management. The Council carries out options appraisals when considering procurement options.
- 26** The Council has strengthened its arrangements for ensuring data quality in the past year with responsibility for data quality more clearly defined. The Data Quality Strategy is supported by an action plan to address previous Audit Commission recommendations and sets out standards for data quality. However there is scope to improve a number of processes.
- 27** There is an effective and constructive working relationship between officers and members, particularly between senior officers & senior members of the Council. A wide range of ethical policies are embedded into the Constitution. A well established Standards Committee is in place and it monitors compliance with the codes of conduct and undertakes assessments of relevant complaints.
- 28** Arrangements are in place for both Member induction & development although there is scope to improve arrangements to ensure the training needs of all Members are assessed and this baseline assessment is used to inform training needs of Members.

Value for money and use of resources

29 The Council has effective risk management arrangements in place including corporate and divisional risk registers, a risk management strategy and a training programme for Members and Officers. The Corporate risk register is maintained on line and subject to regular review. It includes links to strategic objectives, assesses the risks for likelihood and impact and assigns names to actions required. The Council has an anti fraud and corruption policy in place supported by other key documents including an anti - money laundering policy. However these documents require updating to ensure they reflect recent best practice.

Managing Resources

30 The Council has well established policies and procedures for people management. It complies with equalities legislation and duties. The Council is now taking a more strategic approach through its Organisational Downsizing project which includes identifying current and future gaps in skills and where it has excess capacity. The Council reviews a range of options when senior posts become vacant including consideration of promotion from within however, there is not a clear strategic approach to succession planning. Training needs are identified through the staff appraisal system and service action plans and addressed through the corporate training programme.

31 The Council has a number of effective policies for a healthy workforce and meets its legal obligations. It has an established policy for managing sickness absence. However staff sickness levels are high and although sickness absence has improved slightly, the Council is not currently achieving its targets.

32 The Council has diversity and equality policies and procedures. Service plans link to its Equality Scheme. Progress reports on the Scheme are produced each year. The Council has some good initiatives to support potentially excluded groups such as migrant workers. However, there is a lack of strong leadership for equality and diversity issues and the pace of improvement is slow. The Council has reached Level 2 of the Equality Standard for Local Government but has no firm plans to improve its performance.

Looking ahead

33 For 2009/10, the key lines of enquiry specified for the use of resources assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. An additional KLOE, 3.1 - natural resources will apply to district councils for 2009/10 and we will work with officers to review the Council's arrangements for managing natural resources and monitor progress throughout the year.

VFM Conclusion

34 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.

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

Closing remarks

- 36** I have discussed and agreed this letter with the Chief Executive and the Treasurer. I will present this letter at the Audit and Governance Committee on 28 January 2010 and will provide copies to all committee members.
- 37** 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 3

Report	Date issued
Annual Governance Report	September 2009
Use of Resources report	December 2009

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- 38** 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

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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