

Annual Audit Letter

Wigan Council

Audit 2008-2009

December 2009



Contents

Key messages	3
Financial statements and annual governance statement	5
Value for money and use of resources	7
Closing remarks	9
Appendix 1 – Use of resources key findings and conclusions	11

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.
-

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 and Value for Money Conclusion

- 1 I gave an unqualified opinion on the financial statements on 29 September 2009.
 - 2 I am also required to conclude whether the Council put in place adequate arrangements for securing economy, efficiency and effectiveness in its use of resources against the criteria specified by the Audit Commission for 2008/09. This is known as the Value for Money (VFM) conclusion. I have concluded that your arrangements are adequate (under this assessment arrangements are either classified as adequate or not adequate) and we issued an unqualified conclusion on the Council's value for money arrangements on 29 September 2009.
-

Financial Statements

- 3 The financial statements submitted for audit were complete and received in line with the required deadlines and supported by working papers prepared to a good standard.
 - 4 No material errors were identified during the course of the audit.
-

Use of Resources

- 5 The Council was assessed against the Audit Commission's criteria for the way it uses its resources during 2008/09. The assessment criteria and processes were different to those used in previous years and in many ways constituted a harder test. The Council was assessed against criteria that measured the way it:
 - manages finances;
 - governs the business; and
 - manages resources.
- 6 The Council achieved an overall score of 3 out of 4 for its use of resources, meaning the Council is exceeding minimum requirements and is performing well. Our detailed findings are set out at Appendix 1.

Comprehensive Area Assessment and Organisational Assessment

- 7 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 will formally report in 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.

Audit fee

- 8 My fee proposals were communicated to the Audit Committee in my Audit Plan for 2008/09. I expect to contain the 2008/09 audit fee within the total already agreed with you of £309,986.

Actions

- 9 I have not made any further recommendations in this report over and above those previously reported to those charged with governance.

Financial statements and annual governance statement

The 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

- 10** Our audit did not identify any significant issues. The financial statements submitted for audit were complete and received in line with the required deadlines and supported by working papers prepared to a good standard.
 - 11** There were a few presentational errors that were corrected ahead of the issue of our opinion. These included a small number of changes to the wording of the accounting policies and corrections to notes to the income and expenditure account and balance sheet.
-

Material weaknesses in internal control

- 12** I have not identified any material weakness in the design or operation of your internal control arrangements.
-

Accounting Practice and financial reporting

- 13** I considered the qualitative aspects of your financial reporting arrangements. The matters which I want to raise with you are as follows.
 - Although the annual governance statement meets the requirements of proper practices I found that there is further scope to update the document to ensure that it represents a statement of the Council's own assurance arrangements and to reduce reliance on the need to make extensive references to the conclusions of external review agencies.
 - The annual governance statement is an opportunity to reflect all current internal control issues arising during the year. Our review of the 2008/09 statement noted it did not include reference to the control failure over a duplicate creditor payment run which had occurred during the year, and the action taken to prevent recurrence.

- In my 2007/08 report I recommended that capital expenditure on Council assets which had not added to asset values should be clearly determined and supported by evidence from professionally qualified valuers. Whilst this recommendation referred specifically to Council dwellings, the principle applies equally to all situations where capital spend has been incurred without adding actual value. I found during 2008/09 that although the Council had addressed this issue in respect of expenditure on Council dwellings it had not done so for other categories of asset. In future, such evidence should be obtained for all relevant categories of capital expenditure.
- The Council has entered into a pooled budget arrangement with Ashton, Leigh and Wigan Primary Care Trust for services for people with drug and alcohol problems. However, the formal terms of the agreement have not yet been signed. This should be rectified as soon as possible.

International Financial Reporting Standards (IFRS)

- 14** In March 2008 the Treasury announced that the annual financial statements of government departments and other public sector bodies would be prepared using International Financial Reporting Standards (IFRS) from 2009/10 onwards. For local government bodies the first full year of application is the 2010/11 financial statements but the starting period for this (the transition date) is 1 April 2009. Local government bodies will be required to produce their 2009/10 Whole of Government Accounts return on an IFRS basis.
- 15** As part of my 2008/09 audit I have completed an Audit Commission survey on 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 Wigan, undertaken an initial analysis to assess the work required and are in the process of preparing detailed methodologies for the various work areas. However, officers recognise that, in keeping with many councils, considerable further work will be needed during 2009/10 to ensure required timeframes are met.

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

- 16** For 2008/09, the use of resources assessment was more demanding than previous assessments. The key lines of enquiry (KLOE) are more broadly based than previously and embrace wider resource issues. The KLOE focus more on value for money achievements, outputs and outcomes rather than on processes.
- 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 (which are represented by level 2 performance).
- 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, and the underlying KLOE, are summarised in Appendix 1.

Table 1 Use of resources theme scores

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

- 20** Our assessment was that the Council is performing well in terms of managing its finances and managing resources. In terms of governing the business the performance of the Council is assessed as adequate overall - the Council is performing well in the areas of governance, risk management and internal control and adequately with respect to data quality and commissioning and procurement.

Managing Finances

- 21** The Council is performing well in the way it manages its finances. The Council has a strong medium term financial plan and a good understanding of costs. There is effective budgetary control and financial reporting arrangements, both during the year and at year end, are effective.
- 22** Treasury management is integrated with revenue and capital planning and monitored closely.

Governing the Business

- 23** The Council has some good arrangements for governing the business; its governance framework is strong and the risk management approach is effective. The Council is continuing to develop its commissioning arrangements to secure effective outcomes in the future. The Council's arrangements for data quality are generally effective, but for Housing Benefits the performance indicators were qualified once again.

Managing Resources

- 24** The Council has established good arrangements for ensuring that sustainability is at the heart of its service design and provision. The Council is already reaping the rewards of this investment. The Council manages its assets strategically and ensures that it makes best use of these resources to deliver effective services to local people.

VFM Conclusion

- 25** 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.
- 26** 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

- 27** The economic downturn, public sector funding and the banking crisis is having a very significant impact on public finances and the bodies that manage them. It is envisaged that there will be wide ranging and more fundamental impact on the ability of public sector bodies to fund service delivery and capital programmes in the short to medium term, including pressures on income streams. There are further challenges for policy priorities where patterns of demand for services are also changing. In addition the Council continues to implement its own review programme of service delivery. These changes and the Council's response will be a key focus of my attention for future audits.
- 28** This letter has been discussed and agreed with the Executive Director, Business Support Services. I will present this letter at the Audit Committee on 28 January 2010 and a copy of this letter should be provided to all Members.
- 29** 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
Audit and Inspection plan 2008/2009	June 2008
Supplementary opinion audit letter	July 2009
Annual Governance Report	September 2009
Opinion on the financial statements	September 2009
Value for money conclusion	September 2009
Use of Resources report	December 2009

Independence

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

- 31 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.

Mark Heap
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 3 Theme 1 - managing finances

Theme 1 score	3
KLOE 1.1 (financial planning) score	3
VFM Criterion met	Yes
Key findings and conclusions	
<p>The Council has effective financial planning processes that integrate well with strategic priorities and bring together the medium term financial strategy, budget planning and treasury management. Processes are owned by financially trained members who take strategic financial decisions about services, local tax levels and reserves and balances over a three year cycle.</p> <p>There is a formal annual review of priorities which leads to redirection of funding. Members and senior officers have a good financial understanding. The financial planning processes are supported by strong budget reports during the year that routinely model multiple scenarios to enable effective decision making.</p> <p>The Council has responded effectively to the economic downturn and has worked to help local business through the downturn by taking decisions to pay local creditors within 10 days to help cashflow.</p> <p>The Council engages effectively on budgeting and financial management with service managers and local stakeholders and works well with partners to understand and deliver shared priorities.</p> <p>The Council’s treasury management processes which are integrated with financial planning are benchmarked and managed effectively. The approach has delivered returns that are in advance of plans and ensured the security of the Council’s investments where other bodies did not.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.2 (understanding costs and achieving efficiencies) score</p> <p>VFM Criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>There is a good understanding of costs across all parts of the Council coupled with a culture of understanding costs and identifying high cost areas for investigation. The Council uses value for money (VFM) profiles and performance and benchmarking information to assess spending areas and takes action to address issues such as high sickness absence rates (achieving a real reduction).</p> <p>The Council is proactive in identifying cost and efficiency and works well with partners to deliver cashable savings.</p> <p>Efficiency targets are being exceeded, which demonstrates a strong efficiency culture. Joint commissioning arrangements are in place and achieve efficiencies. Contract management is good and delivers efficiencies. Procurement arrangements are effective and deliver savings. The Council works with others to share risk and ensure more cost effective outcomes – a good example is the Building Schools for the Future (BSF) programme which enables sharing resources, experience and purchasing power with another upper tier Council to deliver an £80m programme.</p> <p>There is a process in place to ensure that all new capital investments are subject to appraisal. Leigh Sports Village is a positive example of where the Council and partners have joined together to deliver a significant new facility which will have a positive impact in an area which is a priority for regeneration.</p> <p>Whole life costings are used to inform key investment decisions.</p>	
<p>KLOE 1.3 (financial reporting) score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council's budget monitoring and control system is effective and provides detailed reports to budget holders in a timely way. Budget monitoring reports clearly demonstrate over and under spending against profiles and outturn. The Council updates its medium term financial forecast in year and annually. Reports make clear links between priorities and spending. A strong capital strategy is linked to service objectives and the capital programme is reviewed alongside revenue monitoring to ensure informed decision making.</p> <p>Quarterly and monthly monitoring reports include outturn projections, and estimates of the impact on balances. The Council uses budget monitoring reports to identify variances and to plan subsequent actions. The use of profiles and in year accruals improves the usefulness of the reports.</p> <p>Incorporating treasury management into revenue reports has strengthened decision making and helped the Council to remove certain institutions from credit listings avoiding the potential of risky investments.</p> <p>The accounts are produced on time and are of high quality. Internal and other 4 star Council practices are reviewed to seek improvements annually. Working papers are of a high standard. In year best value accounting code of practice (BVACOP) reconciliations are completed to ensure Members are aware of the links between monitoring reports and the financial statements. Members have a strong track record of scrutinising the accounts in detail and effectively.</p>	

Appendix 1 – Use of resources key findings and conclusions

Table 4 Theme 2 - governing the business

Theme 2 score	2
VFM criterion met	Yes
KLOE 2.1 (commissioning and procurement) score	2
Key findings and conclusions	
<p>The joint strategic needs assessment gives a clear assessment of need for the area. This highlights where the inequalities are within the area, and the need for services. This is supported by the sustainable community strategy. Action is being taken, e.g. the Healthier Communities and older peoples block is rolling out the Find and Treat Programme in an attempt to reduce early deaths and disability due to Coronary Heart Disease, stroke and cancer, all big issues in Wigan. There is also evidence of services being recommissioned due to need, for example drug and alcohol services.</p> <p>The Council has yet to formalise its commissioning strategy, although there are systems in place to support commissioning decisions such as the Wigan Information System of Dynamic Online Maps (WISDOM). However we have yet to see this used to commission specific services.</p> <p>Engagement of service users in commissioning is improving. The new Partners and Communities Together process is being rolled out across the borough; this engages local communities in a consultation process to identify needs and aspirations at a ward level.</p> <p>Customer access to services is being addressed, a customer transformation programme is in place which, when fully implemented, should improve access to services. Improvements have been made such as the introduction of flexible working patterns to provide more timely access to staff. However, telephone access is still limited with access only during normal working hours.</p> <p>The Council recognises its responsibilities in relation to procurement. Market mechanisms are used to improve value for money and joint procurement is undertaken. Support is provided to potential providers to develop capacity.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.2 (data quality and use of information) score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>Overall the Council has adequate procedures in place to assure data quality, however Housing Benefits indicators were qualified once again. A data quality policy is in place which covers the necessary areas, there is also a virtual performance team to support staff. The Council has systems in place to support collect once use numerous times approach, such as sharepoint and performance plus.</p> <p>There is scope to improve procedures to help ensure that information from partners is robust. Some data sharing protocols are in place, however the use of these needs to be expanded. A commitment is made by the Council in its data quality policy that recognises that it is important that the data used in collaborative decisions meets data quality expectation but the policy falls short of detailing the process for achieving this.</p> <p>Security arrangements for the key systems of the Council have remained consistent. Corporate information security policies are in place and backups of systems are taken daily.</p> <p>The Council continues to demonstrate a strong use of performance data. Systems are in place to produce information to support decision making. The Council reports performance at a number of levels within the organisation and there is clear accountability for performance. Information is also held on geographical areas, with the Councils WISDOM system enabling local intelligence. Partners input directly to WISDOM which reduces the risk of inaccurate data, and there is a clear audit trail to understand the origins of the information. Ward based information is subject to agreement with elected members, officers and local people to ensure its accuracy.</p> <p>Performance reports are tailored to users needs to enable monitoring of performance against priorities and information is presented in a variety of formats. Performance reports are leading to action to improve performance and outcomes for service users.</p>	
<p>KLOE 2.3 (good governance) score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The constitution is reviewed annually and in year. There are effective codes of conduct and registers of interests for members and officers which are embedded in the constitution and in practice, through training and affirmation. This extends to whistleblowing arrangements.</p> <p>There are strong working relationships between officers and members, including effective leadership briefings for all members. Member development is strong for existing and new members. Members have development plans and training is linked to assessed and relevant needs.</p> <p>The Council and partners have a clear vision for the borough in the community strategy, which reflects local issues.. The high level plans acknowledge the challenges in the area, and are well supported by data about how well the borough is doing.</p>	

Appendix 1 – Use of resources key findings and conclusions

The Council is committed to engagement and community empowerment although outcomes are not always clear. There is a well established network of township forums in place.

Children and young people are involved in planning and designing services they use. Mental health service users and the people who care for them influence services they use at home.

Partners and the Council have agreed priority targets within a Local Area Agreement (LAA). Partners work together to improve the area and the Local Strategic Partnership (LSP) has changed to make it more effective. Progress on the single commissioning agency is supported by appropriate governance. There is a commitment from the Council to the LSP, with key members of the Council attending regular meetings.

KLOE 2.4 (risk management and internal control) score

3

VFM Criterion met

Yes

Key findings and conclusions

There is mature risk framework in place, with strategy, policy and strategic and departmental risk registers which is updated regularly. Risk management is embedded in the corporate plan, service planning and delivery and underpins the system of internal control. Key partners have the same approach to risk management.

Strategic risks linked to the Council's vision are monitored through the corporate planning process. The lead member for risk is on the Audit Committee. Members are risk aware and regular risk training and information is provided for members and officers.

The Audit Committee reviews governance arrangements and holds officers to account. The committee is effective in ensuring members understand the Council's governance arrangements. Internal Audit meet all professional standards and in benchmarking are lower cost with higher customer satisfaction than comparators.

The anti fraud strategy compares well with best practice. Housing Benefit fraud prosecution policy is in line with the Department for Work and Pensions best practice. The Council is pro-active in promoting counter fraud and the culture.

The Council uses electronic media to detect and prevent fraud and internet abuse. The Council uses a variety of media to inform staff and the public of their role in preventing and reporting fraud.

The validity of all insurance claims is reviewed which has led to a 42.5% reduction in claims and a reduction in premiums. The Council is named on external websites as a place that fraudulent claimants should avoid.

Business continuity arrangements work across the Council and concentrate on restoring critical services. These arrangements are mirrored in partners significant to service delivery. Business continuity is led by senior staff across organisations.

Table 5 Theme 3 - managing resources

Theme score	3
KLOE 3.1 (use of natural resources)	3
VFM criterion met	Yes
Key findings and conclusions	
<p>In partnership with the Carbon Trust, the Council has had a carbon reduction strategy in place since 2007. There is a commitment in the LAA to address climate change. The Council is working with national organisations, local Greater Manchester working groups and has signed up to the Nottingham declaration on climate change.</p> <p>There are clear plans and targets in place, both annual and cumulative, and these targets are supported by a delivery plan. Monitoring arrangements are in place and there is a carbon management team who meet regularly to discuss progress and raise issues.</p> <p>Key areas have already been addressed to reduce carbon emissions. The use of Yorkshire Purchasing Organisation contracts secures significant savings as part of a planned procurement approach. Centralised waste management ensures recycling is high.</p> <p>The Council has ensured new developments in the borough reduce their carbon footprint. Sustainable development is built into new schemes. A clear assessment of the high priority areas has been made. Baselines have been set and monitoring is being undertaken. A number of initiatives are in place to address climate issues, there is a mix of no cost, such as awareness training, low and high cost.</p> <p>A new process of sustainability appraisals is in place, a toolkit uses a proportionate response to assess plans, policies and strategies to ensure they are balanced against social, environmental and economic objectives.</p> <p>Staff are supported through initiatives and energy advisors help raise staff awareness. Senior management and members have also received training and support. Actions are also being taken such as homeworking and facilitating staff use of bicycles.</p> <p>The Corporate procurement strategy makes a commitment for the Council to carry out an environmental assessment of all key products and services. Strategies are being developed that reflect the significant environmental risks that could have an impact on the delivery of its operations.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 3.2 (strategic asset management) VFM criterion met</p>	<p>3 Yes</p>
<p>Key findings and conclusions</p>	
<p>Asset plans are linked to the Council’s strategic objectives via seven key strategic property objectives. The Leisure Asset plan was developed with the key partner and delivered a large new leisure complex Leigh Sports Village.</p> <p>The Head of Property is a corporate property officer and delivers a corporate service, and chairs the group that delivers the asset plan. Property matters are considered by cabinet and a cabinet member has property in their portfolio. Reports to members routinely include property issues.</p> <p>Land is managed as a corporate resource throughout its lifecycle. Whole life costing is used to support key property decisions e.g. the closure of two schools replaced by a single new school. There is a mature approach to property disposal and changes. The property strategy is reducing the amount of poor property and backlog maintenance.</p> <p>The Council secures transformational change through different working patterns, recognising that working remotely and at home releases assets. This approach has led to increased productivity in revenues and benefits and in highways inspection. The approach underpins the Council’s approach to releasing property.</p> <p>The Council uses property performance information effectively. It is updated monthly and reported to members. The Council works in benchmarking clubs which has contributed to improved quality of buildings.</p> <p>The views of stakeholders and users are important. The Council uses its asset base to deliver outcomes for local communities. The co-location of services to provide better community outcomes is given a priority e.g. schools reorganisation and parks strategy.</p> <p>Sustainable development is built into new schemes.</p>	
<p>KLOE 3.3 (workforce planning) - not applicable to single tier and county Councils in 2008/09</p>	<p>N/a</p>

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.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
