

**RIBBLE VALLEY BOROUGH COUNCIL** INFORMATION  
**REPORT TO ACCOUNTS AND AUDIT COMMITTEE**

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Agenda Item No

meeting date: 24 NOVEMBER 2010  
title: ANNUAL AUDIT LETTER 2009/10  
submitted by: DIRECTOR OF RESOURCES  
principal author: JANE PEARSON

**1 PURPOSE**

- 1.1 To consider the Audit Commission's Annual Audit Letter for 2009/10.

**2 BACKGROUND**

- 2.1 Each year the Audit Commission provides an overall assessment of the Council drawing on the audit, inspection and performance assessment work that has been carried out by their staff and the Council's external auditor.

**3 INFORMATION**

- 3.1 I attach a copy of the Annual Audit and Inspection letter we have recently received from our District Auditor, Clive Portman.

The letter sets out:

- How the Council is performing
- The audit of accounts and value for money
- Looking ahead

It is pleasing to note the auditor's comments regarding our performance over the last 12 months.

**4 CONCLUSION**

- 4.1 The Annual Audit Letter will be published on the Council's website. It is an important part of the Council's Corporate Governance arrangements.

DIRECTOR OF RESOURCES

AA27-10/JP/AC  
15 November 2010

# Annual Audit Letter

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**Ribble Valley Borough Council**

**Audit 2009/10**

**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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# Key messages

**This report summarises my findings from the 2009/10 audit. My audit comprises two elements:**

- **the audit of your financial statements (pages 3 to 4); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 5 to 9).**

## **Audit opinion and financial statements**

**1** I issued an unqualified opinion on the Council's financial statements on 24 September 2010. The financial statements were submitted for audit by the deadline of 30 June 2010. The financial statements contained one material error and officers adjusted the accounts to correct this error.

## **Value for money**

**2** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. The Audit Commission specifies which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each audited body.

**3** I issued an unqualified conclusion on 24 September 2010 stating the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

## **Current and future challenges**

**4** Like all councils, Ribble Valley faces significant financial pressures. The full extent of necessary spending cuts resulting from the Autumn 2010 Spending Review and allocation of revenue grant funding for 2011/12 and beyond needs to be assessed. The Council has already started to plan to address the potential implications of the spending review and will need to continue to review priorities and service standards to help determine what service standards can be provided in the future.

**5** 2010/11 will see the implementation of International Financial Reporting Standards (IFRS) to local government accounts. This will require careful planning to ensure the required information is available to enable an efficient transition to the new financial reporting requirements.

# Financial statements and annual governance statement

**The Council's financial statements and annual governance statement demonstrate how the Council accounts for its stewardship of public funds.**

**I gave an unqualified opinion on the Council's 2009/10 financial statements on 24 September 2010, within the statutory target date.**

## **Overall conclusion from the audit**

**6** The financial statements were submitted for audit by the deadline of 30 June 2010. Good working papers supported the accounts and officers answered queries on a timely basis. The financial statements contained one material error and officers adjusted the accounts to correct this error. There were a small number of errors over our trivial threshold of £4,280. These were reported to members in our Annual Governance Report on 15 September 2010 together with our recommendations. Included within the report was one accounting practice issue in relation to the completion of declarations for potential related party transactions by members and officers. It is good practice for senior officers and members to complete an annual declaration.

**7** I issued an unqualified opinion on the Council's financial statements on 24 September 2010.

## **Internal control**

**8** I did not identify any significant weaknesses in your internal control arrangements.

## International Financial Reporting Standards (IFRS) in local government

**9** Local authorities are required to prepare financial statements on an IFRS basis from 2010/11 onwards. The Audit Commission has undertaken two surveys with local authorities to assess progress in preparing for the implementation of International Financial Reporting Standard in local government. The surveys indicated that the Council is preparing well for the implementation of IFRS. Officers have kept the Accounts and Audit Committee up to date with progress. I have no concerns about the Council's progress towards IFRS which I need to bring to your attention at this time. The audit team will continue to liaise with officers to assess progress and share any good practice.

## National Fraud Initiative

**10** The Audit Commission plays an important role in the fight against fraud. It runs a data matching exercise every two years to help detect and prevent fraud: the National Fraud Initiative (NFI). The total fraud, overpayments and errors detected across the country in the latest completed exercise covering 2008/2009 amount to £215 million. Since the exercise began in 1996 cumulative national savings total £614 million.

**11** The NFI is a data matching exercise comparing information held by different organisations, including some from the private sector, to identify potentially fraudulent claims and overpayments. Examples of data matching undertaken include pension payments being checked to records of deceased persons and council tax records being matched to the electoral register. The Council participates in this bi-annual exercise. Savings in relation to the 2008/09 NFI exercise for the Council total around £54,000 to date.

# Value for money

**I considered whether the Council is managing and using its money, time and people to deliver value for money.**

**I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.**

## **2009/10 use of resources assessments**

**12** At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on CAA would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

**13** However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

**14** I report the significant findings from the work I have carried out to support the vfm conclusion.

## **VFM conclusion**

**15** I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

**16** This is a summary of my findings.



Criteria	Adequate arrangements?
<b>Managing finances</b>	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
<b>Governing the business</b>	
Commissioning and procurement	Yes
Use of information	Yes
Risk management and internal control	Yes
<b>Managing resources</b>	
Natural Resources	Yes
Strategic asset management	N/A
Workforce	N/A

**17** I issued an unqualified conclusion stating that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources. I reported the findings of my work in relation to the VFM conclusion to members in my Annual Governance Report on 15 September 2010 and this is set out below.

## Managing Finances

**18** The Council has sound financial arrangements in place that effectively support the delivery of strategic objectives. It is in good financial health and has a track record of managing spending within budgets. The Council's financial strategy focuses on future priorities and the resources needed to deliver them. This approach helps the Council to deliver its objectives, such as improving recycling rates. The Council sets and approves a comprehensive balanced and sensible budget which includes realistic savings. It has a well managed capital programme that links to priorities and is reviewed regularly. The treasury management strategy is approved annually in line with the Prudential Code and performance monitored every quarter.

**19** The Council understands its overall costs and the specific costs of individual services. It uses benchmarking against similar councils and performance information to support planning and decision making. It understands how local factors impinge on costs and is able to explain if some spending is higher than planned – for example, concessionary fares or highways. The Council understands how rurality affects its communities. It has recently gathered demographic data on the local population, but has not yet used this to inform decisions. The Council's costs are commensurate with the service provided given the rurality and sparse population of the area. Council decisions take account of performance and the views of service users – for example on waste and cash collection services. It uses partnership working to reduce costs in areas such as agency staffing. It has a history of consistently meeting and exceeding efficiency targets.

**20** The Council has good arrangements in place to produce regular and timely financial information. Budget monitoring and forecasting information is reliable, relevant and understandable. Budget holders receive the information regularly throughout the year. The Council identifies budget variations in financial performance at an early stage and takes corrective action. The 2008/09 annual accounts did not contain any material errors. The audit of the 2009/10 accounts identified one material error which did not impact on reserves and balances. Working papers are of a good standard and queries answered promptly. The Council's website covers all relevant financial and performance areas. The website now includes various features to enable easy access.

## **Governing the Business**

**21** The Council has strong procurement procedures which support the priorities in the sustainable community strategy. However, there is scope to improve the understanding of community needs and equality and diversity issues. The Council has gathered demographic data on the local population during the past year, but has not yet used this to inform commissioning and procurement decisions.

**22** The Council has improved its framework to oversee data quality in 2009/10. It has procedures in place with partners who provide data to the Council, but still needs to strengthen arrangements to ensure the quality of partnership data. Information and analysis are in formats that aid decision making. Effective performance management arrangements are in place. The Council has effective arrangements in place for data collection and reporting of national performance indicators. Over the past year, it has extended these arrangements to include local performance indicators to improve the quality of this data. Sound arrangements are in place to ensure data security and manage information management risks.

**23** The Council has strong ethical and governance arrangements in place. Member training and development is good. Members are clear about their role within the Council and the wider community. Arrangements for partnership governance and engagement are good. The Council informs residents about the work of the standards committee through a regular newsletter. Arrangements to ensure compliance with laws and regulations are sound. The complaints procedure is available on the Council's website and complaints reported and monitored.

**24** Risk management arrangements are adequate but there is scope for improvement. The Council has a comprehensive risk register in place but risk management needs embedding throughout the Council's decision making processes. During 2009/10 members did not receive any reports on risk management until the year end. Reports to members need to be more comprehensive, clearly setting out the controls in place to mitigate risks identified and action taken to mitigate any residual risk. The Council has begun to address this. The Council should update risk management training for staff, especially those who manage the risks, to ensure they fully understand the risk management system. The Council has communicated its anti fraud and corruption policy to staff. Standing orders, codes of conduct and the scheme of delegation are reviewed and updated regularly. The Council has improved the Internal Audit section and it now complies with CIPFA standards.

## **Managing Resources**

**25** During 2009/10, for the first time, we examined the Council's management of natural resources. The Council understands its use of resources and its impact on the environment. It has information on carbon emissions, energy use and water consumption and has a strategy and action plan to reduce its carbon emissions by 5 per cent a year. The Council is working to reduce its environmental impact and has set up initiatives to reduce the use of energy, fuel, water and raw materials. Specific projects aim to improve resource efficiency in estates, energy and water use, recycling, waste disposal and food procurement.

**26** The Council is working to increase biodiversity in the parks, forests and open spaces that it owns. However, the Council does not yet have comprehensive information about the impact of these initiatives by which to monitor performance. The Council works with partners to identify and manage environmental risks, especially from flooding. For example, it has identified which areas are at greatest risk of flooding and has distributed information to residents.

## Approach to local value for money work from 2010/11

**27** Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

**28** My work will be based on a number of reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

**29** I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

# Current and future challenges

## Current challenges

**30** Like all councils, Ribble Valley faces significant financial pressures. The full extent of necessary spending cuts resulting from the Autumn 2010 Spending Review and allocation of revenue grant funding for 2011/12 and beyond needs to be assessed. The Council has already started to plan to address the potential implications of the spending review and will need to continue to review priorities and service standards to help determine what service standards can be provided in the future. The Council has sound financial arrangements in place that effectively support the delivery of strategic objectives. It is in good financial health and has a track record of managing spending within budgets.

## Future developments

**31** As set out earlier in this report, 2010/11 will see the implementation of international financial reporting standards to local government accounts. This will require planning to ensure the required information is available to enable an efficient transition to the new financial reporting requirements. The audit team continue to liaise with key finance staff on the key changes required and the plans in place to address them. Any good practice or other sources of advice will be shared as they become available.

## Closing remarks

**32** I have discussed and agreed this letter with the Chief Executive and the Director of Resources. I will present this letter at the Accounts and Audit Committee on 24 November 2010 and will provide copies to all members.

**33** Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Council during the year.

Report	Date issued
Opinion Audit Plan	February 2010
Annual Governance Report	September 2010

**34** The Council has taken a positive and helpful approach to our audit. I wish to thank Ribble Valley Borough Council staff for their support and cooperation during the audit.

Clive Portman  
District Auditor

November 2010

# Appendix 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement (including Whole of Government Accounts)	59,336	59,336	0
Value for money	27,664	27,664	0
<b>Total audit fees</b>	<b>87,000</b>	<b>87,000</b>	<b>0</b>
Certification of claims and returns	20,811	25,445	-4,634

## Appendix 2 Glossary

### **Annual governance statement**

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

### **Audit opinion**

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

### **Financial statements**

The annual accounts and accompanying notes.

### **Qualified**

The auditor has some reservations or concerns.

### **Unqualified**

The auditor does not have any reservations.

### **Value for money conclusion**

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.



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- any third party.



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