

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

DECISION

Agenda Item No 6

meeting date: 30 NOVEMBER 2011  
title: ANNUAL AUDIT LETTER 2010/11  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

## 1 PURPOSE

- 1.1 To consider the Audit Commission's Audit Letter for 2010/11

## 2 BACKGROUND

- 2.1 The Audit Commission, as the Council's external auditor, is required to review various aspects of the Council's activities in line with the requirements of the Audit Commission's Code of Practice.
- 2.2 At the meeting of this Committee on the 24 August 2011, the Audit Commission produced their Annual Governance Report. The report considered the auditor's finding in relation to the Council's Financial Statements and Value for Money conclusion for 2010/11 and the auditor issued an unqualified opinion.

## 3 ANNUAL AUDIT LETTER 2010/11

- 3.1 On completion of the annual audit, the Audit Commission publishes an Annual Audit Letter which summaries the outcome of their work and makes specific recommendations for the coming year.
- 3.2 The Annual Audit Letter for 2010/11 has now been received and is attached at Annex 1 of this report.
- 3.3 The 2010/11 Annual Audit Letter reports the Council's position in relation to the following areas
- The council's accounts; and
  - Whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 3.4 As noted above, the auditor has issued an unqualified opinion on the Council's Statement of Accounts for 2010/11 and is satisfied that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 3.3 It is very pleasing to note the auditor's comments regarding our performance over the last financial year.

## 4 CONCLUSION

- 4.1 The Annual Audit Letter includes two recommendations with regard to the financial statements, and highlights the economic downturn and pressure on the public sector.
- 4.2 The Annual Audit Letter will be published on the Council's website. It is an important part of the Council's Corporate Governance arrangements.

5 RECOMMENDED THAT COMMITTEE

5.1 Note the key findings highlighted in the letter and accept the auditor's recommendations.

HEAD OF FINANCIAL SERVICES

AA24-11/LO/AC  
22 November 2011

# Annual Audit Letter

Ribble Valley Borough Council

Audit 2010/11



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## Traffic light explanation

Red  Amber  Green 

# Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- the audit of your financial statements; and
- my assessment of your arrangements to achieve value for money in your use of resources.

I have included only significant recommendations in this report. The Council has accepted these recommendations.

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

## Audit opinion and financial statements

- Unqualified audit opinion.
- Financial Statements free from material error.
- Adequate internal control environment.

## Value for money

- Adequate arrangement to secure value for money.



# Current and future challenges

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Economic downturn and pressure on the public sector

The Council will continue to face financial pressures linked to the economic downturn and public sector funding cuts. Our value for money conclusion reporting noted that the Council is taking appropriate action to secure a stable financial position. The Council will need to continue to review priorities and service standards as future funding levels are confirmed.

IFRS

2010/11 saw the implementation of international financial reporting standards to local government accounts. This required careful planning to ensure an efficient transition to the new financial reporting requirements. Our audit work on the restated financial statements under IFRS did not identify any significant issues.

# Financial statements and annual governance statement

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

## **Overall conclusion from the audit**

I issued an unqualified opinion on the Council's financial statements on 8 September 2011. The financial statements were submitted for audit by the deadline of 30 June 2010. The financial statements contained no material errors. There were a number of non-trivial errors that were not material and these were detailed in my Annual Governance Report. The majority of these errors related to the notes to the accounts and were amended by officers. There were two errors that officers chose not to adjust because they were not material.

Accumulated Absence Provision - the accumulated absence figure of £85,826 was disclosed as a provision in the accounts which was in line with the original guidance issued by CIPFA. The guidance was later revised and the accumulated absence figure should have been shown as a creditor in the accounts. This had no overall effect on the CIES or Balance Sheet and no effect on our opinion on the financial statements.

Housing Benefit overpayments - Housing Benefits overpayments being recovered from future benefits payments were not included in debtors figure. Debtors within the Balance Sheet and Income within the CIES was understated by £85k.

The audit identified two issues in relation to accounting practice & financial reporting.

Guidance required that the notes to the balance sheet include comparative figures for both 31 March 2010 and 1 April 2009. The 1 April 2009 figures were not included in some of the notes. The accounts were amended to include the required figures.

Note 2 provided the non-domestic rateable value in respect of business rates as at 31 March 2011. The original figure in the accounts was from the 2005 listing and was used to facilitate comparability to the previous year's figure. There was a revised listing issued in 2010 giving an updated value. Officers amended the accounts to also include the 2010 value in order to provide the latest information and for completeness.

## Significant weaknesses in internal control

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

## Recommendation

### Recommendation

- Ensure the Accumulated Absence figure is disclosed in accordance with the most recent guidance.
  - Amend the 2011/12 accounts to correctly account for Housing Benefit overpayments as a debtor.
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# Value for money

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**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.**

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the two areas is set out below.

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## Value for money criteria and key messages

Criterion	Key messages
<p><b>1. Financial resilience</b></p> <p><b>The organisation has proper arrangements in place to secure financial resilience.</b></p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The leadership team understands the significant financial management challenges and risks facing the Council and is taking appropriate action to secure a stable financial position. The Director of Resources is a key member of the leadership team and as such is involved in business decisions, and leads the promotion and delivery of good financial management.</p> <p>The audit committee provides effective challenge across the organisation and assurance on the arrangements for risk management, maintaining effective internal control, and reporting on financial and other performance.</p> <p>Medium-term financial planning and annual budgeting reflects the council's strategic objectives and priorities for the year, and over the longer term. The Council has reviewed its Medium Term Financial Plan (MTFP) in light of the current economic climate.</p>

## Criterion

## Key messages

The Council operates within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by members, and appropriate to the strategic, operational and financial risks it faces.

Financial monitoring and forecasting is relevant, timely and accruals based, helping to ensure a clear link between the budget, in-year forecasts and actual year-end position. The Council has a good recent record of operating within its budget with no significant overspends. Management takes timely action to address any budget pressures, for example by taking corrective action to manage unfavourable variances.

### **2. Securing economy efficiency and effectiveness**

**The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.**

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The Council has the capacity to deliver the scale of the spending reductions required of it. It is reviewing its strategic priorities and the cost-effectiveness of its activities. It is taking a rational view of its priorities and of the short- medium- and longer-term opportunities for savings.

There are mechanisms in place to obtain input from or consultation with front-line staff and local residents to identify local priorities for spending.

The Council has access to good quality and timely comparative information on costs and performance, which is used to evaluate options and potential savings.

The Council uses benchmarking against similar councils and performance information to support planning and decision making. It understands how local factors impinge on costs and how rurality affects its communities. The Council's costs are commensurate with the service provided given the rurality and sparse population of the area.

The Council has good monitoring arrangements to ensure planned efficiencies are achieved, and to understand the impact on services and on performance.

# Closing remarks

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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 23 November 2011 and will provide copies to all committee members.

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.

Report	Date issued
Audit Plan 2010/11	30 March 2011
Annual Governance Report	24 August 2011

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

October 2011

# Appendix 1 - Fees

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	Actual	Proposed	Variance
Scale fee	85,673	92,460	6,787
			Fee rebates in relation to: £5,422 IFRS £1,365 VFM
<b>Total</b>	<b>85,673</b>	<b>92,460</b>	<b>6,787</b>

# Appendix 2 - Glossary

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## **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 financial statements, I must give my 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; and
- whether they have been prepared properly, following the relevant accounting rules.

## **Opinion**

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

## **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 resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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