

Annual Audit Letter

Central Bedfordshire 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 5 to 8); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 9 to 15).**

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

Audit opinion and financial statements

1 I issued an unqualified opinion on 28 October 2010, after the statutory deadline of 30 September 2010. Before giving my opinion I reported to the Audit Committee, as those charged with governance, on the issues arising from the 2009/10 audit. I presented my Annual Governance Report on 27 September 2010 and my Supplementary Annual Governance Report on 21 October 2010.

2 The Council's accounts were adopted at the Audit Committee meeting on 30 June, but did not include a Cash Flow statement and some of the notes to the accounts were incomplete. A complete set of accounts was made available for audit on 7 July 2010.

3 The audit was completed after the statutory deadline because of significant delays in getting detailed and accurate breakdowns of the debtors and creditors balances in the accounts. These problems prevented me from progressing my audit work on other areas of the accounts.

4 Several material amendments were made to the accounts before the opinion was issued. These were detailed in my Annual Governance Report and Supplementary Annual Governance Report.

5 This year was always going to be a challenging one, being the first set of accounts for the new unitary authority. The accounts and financial systems of the three legacy authorities had to be brought together. In addition the Finance team had to respond to the budgetary pressures facing the Council during 2009/10 and changes in key personnel during the year.

6 The 2010/11 accounts will be based on International Financial Reporting Standards (IFRS) for the first time. Time spent on resolving the problems with the 2009/10 accounts have meant the Council's IFRS timetable has slipped and a lot of work is needed to meet the new requirements, including restating the 2009/10 accounts.

7 I know that officers and Members are reviewing the factors that led to the problems in finalising the Council's 2009/10 statements of accounts. Finance is a key function of the Council, particularly in the current economic climate with considerable financial pressures and uncertainty about future government funding.

Value for money

8 I concluded that, during 2009/10, the Council did not meet the minimum standards for one out of the nine criteria I assessed. The problems experienced with the preparation and audit of the Council's 2009/10 Statement of Accounts are relevant to the Financial Reporting criteria of the Value for Money Conclusion. Having considered these problems, alongside the other elements of the criteria, I concluded that the criteria had not been met. My value for money conclusion was therefore qualified stating that the Council had adequate arrangements in place except for its arrangements for financial reporting.

Audit fees

9 The indicative audit fee of £323,000 was confirmed in my Audit Opinion Plan issued in April 2010. At the Audit Committee meeting on 18 June 2010 an additional fee of £5,000 was agreed to cover the cost of substantive testing of the payroll system. Substantive testing was required as I was unable to rely on controls having been in place in this system during the year. Despite the difficulties with the accounts noted in paragraphs 3 and 4, I have completed the audit within the revised fee.

Current and future challenges

10 The Council faces significant challenges in future years because of the general economic downturn, the Comprehensive Spending Review and its relatively low level of balances.

11 The most recent Budget Management Report for 2010/11, based on information available as at 30 September 2010, forecasts an overspend of £3.251 million at the year-end. This represents a significant improvement on the position as at 30 June 2010 and additional management actions have been taken to reduce this figure further by the year-end.

12 The 2010/11 budget includes some £12 million of efficiency savings and a further £1.5 million is required because of the loss of government grant following the Emergency Budget in June 2010. Further savings of a minimum of £14.6 million are required in 2011/12. The Council is aware that it will have to take difficult decisions in order to make these savings and a full review of the Council's cost base is under way. It is important that these savings are achieved. Any overspend in 2010/11 will require additional savings to be identified in future years and may impact on the Council's aim to increase its general fund balances.

13 The Council's general fund balance at 31 March 2010 was £5.158 million. The medium term financial plan aims to rebuild this balance to £9 million; this will take some time but must continue to be a priority for the Council.

Financial statements and annual governance statement

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

I gave an unqualified opinion on the Council's 2009/10 financial statements on 28 October 2010, after the statutory target date.

Overall conclusion from the audit

14 The audit was completed after the statutory deadline, I issued an unqualified audit opinion on 28 October 2010. Before giving my opinion I reported to the Audit Committee, as those charged with governance, on the issues arising from the 2009/10 audit. I presented my Annual Governance Report on 27 September 2010 and Supplementary Annual Governance Report on 21 October 2010.

15 This year was always going to be a challenging one for the Council, being the first set of accounts for the new unitary authority, incorporating the former County Council functions with those of the two district councils. The accounts and financial systems of the three legacy authorities had to be brought together. In addition the Finance Team had to respond to the budgetary pressures facing the Council during 2009/10 and changes in key personnel during the year.

16 The Council's accounts were due to be adopted at the Audit Committee meeting on 28 June 2010 but were not complete at this stage. The accounts which were adopted at the re-convened meeting on 30 June did not include a Cash Flow statement and some of the notes to the accounts were incomplete. A complete set of accounts was made available for audit on 7 July 2010.

17 The quality of the working papers provided to support the entries in the accounts were of a variable standard. A limited number of working papers were provided at the start of the audit, with the rest provided on a piecemeal basis during the audit. Many of the working papers provided to support the accounts were not of the standard that I would expect. It was apparent that insufficient time had been available for senior officers to carry out a quality review of the working papers.

18 There were significant delays in getting detailed and accurate breakdowns of the debtors and creditors balances in the accounts. The problems with debtors and creditors prevented me from progressing my audit work on the cash and bank balance and agreeing the Council's opening balances as at 1 April 2009.

19 In order to provide accurate breakdowns of the debtors, creditors and cash balances in the accounts officers completed a lengthy and detailed exercise. This exercise identified that several errors had been made in compiling the unaudited statement of accounts. This resulted in material amendments to the following balances as at 31 March 2010: Government Grants deferred; Grants and Contributions Unapplied; Cash and Provisions.

20 Material amendments were also made to the following opening balances as at 1 April 2009; Cash and bank; Investments; Debtors; Creditors; Grants and contributions unapplied and Schools reserves.

21 I questioned the valuation of the Council's housing stock as at 31 March 2010, in particular the fact there had been no significant revaluations in-year. This was not consistent with the general increase in housing values during 2009/10. The Audit Commission's valuer, Gerald Eve, suggested an increase in residential property values of 5.1 per cent in 2009/10 in the Eastern region (which includes Bedfordshire).

22 The Council sought further advice from its own valuer, Wilks Head and Eve, and amended the accounts to reflect an upward revaluation of £23 million in the value of its housing stock as at 31 March 2010.

23 The Bedfordshire County Council (BCC) pension liability and reserve was disaggregated based on headcount information, with the split being between those staff that transferred from BCC to either of the new unitaries. Information subsequently provided by the Actuary indicated the split that had been made was materially incorrect. As a result the accounts were amended and Central Bedfordshire's share of the BCC Pension Fund Reserve and Liability were both reduced by £7.602 million.

24 Material amendments were required to ensure the accounting for the Council's PFI scheme complied with IFRIC 12. IFRIC 12 was implemented for the first time in 2009/10 as part of the move to International Financial Reporting Standards in local government. The main changes were a decrease in long-term debtors of £12.341 million and the establishment of a Finance Lease Liability of £19.716 million in the Council's balance sheet.

25 Area Based Grant (ABG) of £11.21 million had been incorrectly apportioned over the service headings in the income and expenditure account rather than being consolidated with Revenue Support Grant (RSG) under 'non specific' grants. The accounts were amended to reflect the correct disclosure.

26 I know that officers and Members are reviewing the factors that lead to the problems in finalising the Council's 2009/10 statements of accounts, with a view to putting in place arrangements in 2010/11 to avoid a recurrence. Finance is a key function of the Council, particularly in the current economic climate with considerable financial pressures and uncertainty about future government funding.

Significant weaknesses in internal control

27 In my Audit Opinion Plan, presented to the April 2010 Audit Committee I reported that my work on the Council's financial systems, informed by the work of Internal Audit, had identified weaknesses in the operation of controls in the Payroll system. As a result we substantively tested the payroll expenditure included in the accounts. My work did not identify any significant errors that would lead to a material misstatement in the accounts.

International Financial Reporting Standards

28 Local authorities have to produce their accounts under International Financial Reporting Standards (IFRS) for 2010/11. The Council has a timetable for this work and has reported progress to the Audit Committee.

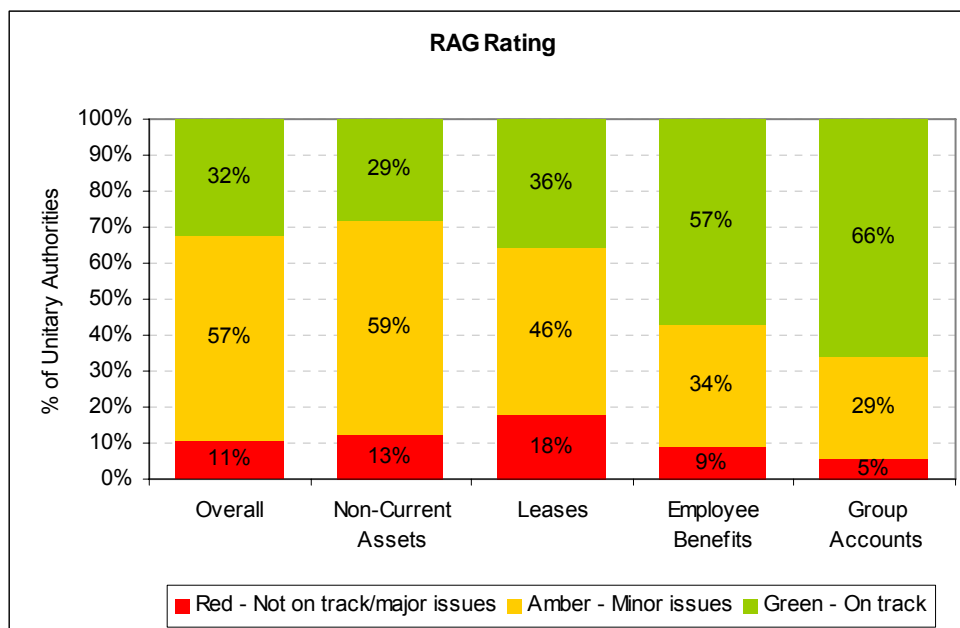
29 The Council plans to restate the opening balance sheet at 1 April 2009 and the 2009/10 financial statements and produce a skeleton set of 2010/11 IFRS-compliant accounts by 31 December 2010. This timescale will allow time for me to review the work undertaken before the financial year-end.

30 The problems in completing the audit of the 2009/10 accounts have taken up significant officer time and has delayed the Council's timetable for IFRS. Failure to meet the planned timescale increases the risk of the 2010/11 draft accounts being produced after the statutory deadline of 30 June. There is also a higher risk that I may not agree with the Council's treatment of key items within the draft accounts. Both risks would increase the likelihood of either a late or qualified audit opinion for 2010/11.

31 The Audit Commission undertook a survey of auditors of all local authorities in summer 2010 to assess local authority readiness for IFRS. Council's need to consider four key areas in preparation for producing IFRS compliant accounts. These are non current assets, leases, employee benefits and group accounts. As part of this survey I rated Central Bedfordshire as being on track for employee benefits and having minor issues in respect of non current assets. However, I assessed the Council as being not on track and therefore at risk of not delivering good quality IFRS-compliant accounts in respect of leases. My assessment of Central Bedfordshire's readiness compared to other unitary councils is highlighted in Figure 1.

Figure 1: Overall readiness for IFRS

Compared to other unitary authorities, Central Bedfordshire is at higher risk in respect of leases



Source: Auditor survey summer 2010

Recommendations

R1 Review of the arrangements that were in place for the closure of the 2009/10 accounts to ensure that adequate arrangements are in place for the 2010/11 accounts preparation. In particular to ensure the 2011/11 accounts:

- are prepared on a timely basis
- free from material errors, and
- supported by adequate working papers.

R2 Ensure that adequate resources are allocated to enable the Council to produce IFRS-compliant accounts by 30 June 2011.

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

32 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.

33 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.

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

VFM conclusion

35 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.

36 This is a summary of my findings.

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	No
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good Governance	Yes
Risk management and internal control	Yes
Managing resources	
Strategic asset management	Yes
Workforce	Yes

37 I issued a qualified conclusion on 28 October 2010. This stated that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources except for its arrangements for financial reporting.

38 The problems experienced with the preparation and audit of the Council's 2009/10 Statement of Accounts, are relevant to the Financial Reporting criteria of the Value for Money Conclusion. Having considered these problems, alongside the other elements of the criteria, I concluded that the criteria had not been met.

39 My detailed findings were reported to the Council in my Annual Governance Report to the 27 September Audit Committee and are set out below.

Table 1:

Theme	Managing Finances
Criteria	Finding
<p>Planning for Financial Health</p> <p>Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?</p>	<p>The Council recognises that it faces a challenging financial future and is putting plans into place to manage this.</p> <p>Medium term financial planning is integrated with strategic and service planning. Resources have been moved from low to high priority areas, for example adult social care and the learning agenda.</p> <p>The Council reported a significant overspend in August 2009, with the forecast overspend as the end of September 2009 reported as £8.6 million. Action was taken to actively monitor the Council's financial position throughout the year to minimise the overspend at year-end.</p> <p>The Council identified efficiencies savings of £12 million to achieve a balanced budget in 2010/11. The Efficiencies Board has been set up to monitor achievement of these savings.</p>
<p>Understanding costs and achieving efficiencies</p> <p>Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?</p>	<p>The Council identifies and scrutinises high costs, for example highways, waste and out of county placements. Directorate budget management reports specifically cover these areas.</p> <p>Unit costs are used in the review of all major contracts, for example the SERCO contract review which challenged the cost per payslip.</p> <p>Key costs drivers have been identified for each Directorate and are reported on in the monthly budget monitoring report. Cost variations identified from the 2009/10 budget monitoring process have been analysed and included in the 2010/11 budget setting process as appropriate.</p> <p>The Council is an active member of the CIPFA benchmarking club and the information is being used to support decisions around restructures.</p>

Financial Reporting

Is the organisation’s financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?

The Council produces timely and reliable monitoring and forecasting information. Financial reports are clear, relevant and concise. Officers have access to understandable financial information that enables them to monitor their service and support decision making.

The Council's accounts were adopted at the Audit Committee on 30 June, but did not include a Cash Flow statement and some of the notes to the accounts were incomplete. A complete set of accounts was made available for audit on 7 July 2010.

The audit was completed after the statutory deadline because of significant delays in getting detailed and accurate breakdowns of the debtors and creditors balances. Material amendments were made to the accounts before the opinion was issued.

Many of the working papers provided to support the accounts were not of the expected standard and insufficient time had been available for senior officers to carry out a quality review of them.

Commissioning and Procurement

Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcome and value for money?

The Executive agreed the Commissioning Framework in August 2009 and the Corporate Commissioning and Procurement Strategy in November 2009.

The Joint Strategic Needs Assessment (JSNA) is a key driver of the joint commissioning deliverables in Social Care, Health and Housing, and Children, Families and Learning.

The Council is part of the Procurement East Network, a regional networking to share best practice and market knowledge; and is a member of the Central Buying Consortium which shares best practice and collaboration of contracts, such as Flexible Procurement of Energy.

User friendly procurement toolkits are being actively used across the Council and include the evaluation of different options for the procurement of services.

Theme	Managing Finances
<p>Use of Information</p> <p>Does the organisation produce relevant and reliable data and information to support decision making and manage performance?</p>	<p>There is a Performance Management Framework in place, including the Data Quality Strategy and Audit Protocol. A series of Data Quality and Performance Management Training Workshops have been rolled out throughout the Council.</p> <p>My testing of a sample of performance indicators did not identify any specific data quality issues and has validated my assessment that the Council produces relevant and reliable data and information to support decision making and manage performance.</p> <p>The Council has attained Government Connect Secure Extranet CoCo compliance (Code of Connection). Backup tapes are stored offsite at an authorised and specialist backup facility and the media is available for restore/recovery by authorised ICT staff when necessary. However, there has been no test to ensure the restore process would work if required.</p>
<p>Good Governance</p> <p>Does the organisation promote and demonstrate the principles and values of good governance?</p>	<p>This is an area of strength for the Council. The Council adopts, promotes and demonstrates good governance evidenced by a comprehensive training and development programme to equip Members and senior officers to carry out their roles.</p> <p>The Council has put some effective processes in place to facilitate Member development. The Councillor Champion Group is a cross party standing group of lead councillors in place to drive forward councillor development in Central Bedfordshire</p> <p>The Local Strategic Partnership (LSP) has agreed the core terms of reference and governance arrangements for all of the significant partnerships.</p>
<p>Risk management and internal control</p> <p>Does the organisation manage its risks and maintain a sound system of internal control?</p>	<p>The Council has effective risk management arrangements in place. There is a Corporate Risk Management Strategy and a number of strategies and policies to manage the risk of fraud and corruption.</p> <p>The Strategic Risk Register is reviewed by CMT on a quarterly basis and by the Executive Committee on a six monthly basis. There are also directorate and service area risk registers in place. There is evidence that risk registers are considered by the Council when reviewing budgets and in budget monitoring.</p> <p>Risk registers include partnership working, however many of these are proposed rather than actually in place.</p> <p>I reviewed Internal Audit against CIPFA standards. I found that the IA service met the CIPFA standards and that we are able to rely on their work.</p>

Theme	Managing Finances
<p>Strategic Asset Management</p> <p>Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?</p>	<p>The Council is in the process of developing sound and effective asset management practices. There is a Medium Term Property Strategy 2009-2011 and an Asset Management Plan 2009-2011 in place. The Council has an understanding of its asset base and the scale of backlog maintenance required.</p> <p>The asset register for the new Council is now complete. Asset information from the three legacy councils was all held in different formats and has required a lot of work to reconcile.</p> <p>The Council is working with its partners to identify the best use of assets for service delivery. It is working with Luton Borough Council, as part of Total Place, to identify all public buildings within the two areas and to discuss with the NHS, Police, Fire and Job Centres how and where joint use of facilities can lead to efficiency savings.</p>
<p>Workforce</p> <p>Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?</p>	<p>The Council has made a commitment to develop its staff through a Skills Pledge, a voluntary, public commitment by an organisation to support the skills development of all its employees to develop their basic skills and work towards relevant, valuable qualifications to at least Level 2 (equivalent to 5 good GCSEs).</p> <p>Workforce Management Information, provided monthly to senior managers, monitors staff numbers, vacancies, turnover, absence, and performance management activity.</p> <p>A Performance Development Review process has been implemented.</p> <p>The Council has clear plans in place to improve equality and diversity. An action plan is in place to achieve Level 2 of the new Equality Framework.</p> <p>Overall sickness levels at the Council are around target levels of 9 days. There are issues in Adult Social Care where sickness levels are higher. Part of the recovery plan for Adult Social Care is to equip managers to be able to manage sickness.</p>

Risk-based performance reviews

40 To support my review of the criteria I undertook the following studies.

- Performance management
- Shared Services

41 My work on performance management noted the Council's arrangements were still in the process of development during 2009/10. Performance reporting at the Council should be strengthened in 2010/11 through:

- including corporate health indicators in the quarterly reports to Executive;
- using benchmarking information;
- cascading community outcome objectives for 2010/11 into development plans, service plans and personal development reviews;
- services adopting a more consistent approach to service improvement; and
- using indicators now being provided by the health service, this will help in the effective targeting of action.

42 My review of shared services was a joint review covering Central Bedfordshire and Bedford Borough councils. I reviewed two shared services, one service hosted by Bedford Borough Council and one service hosted by Central Bedfordshire. I found that Central Bedfordshire has not progressed as quickly with the development and review of service level agreements (SLAs) for shared services as was originally envisaged. However, the review of the two SLAs demonstrates that in these instances robust arrangements have been put in place which are meeting the desired objectives for each Council.

Approach to local value for money work from 2010/11

43 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.

44 My work will be based on a reduced number reporting criteria, specified by the Commission, concentrating on:

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

45 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. Rather, 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

Financial pressures

46 The Council faced significant financial pressures during 2009/10. The revised revenue budget for 2009/10 was £170.641 million. Whilst action was taken during the year to identify savings the revenue outturn was £8.3 million overspent. This included £5.7 million on transition costs in relation to Local Government Reorganisation.

47 The 2010/11 budget includes £12 million of efficiency savings. A further £1.5 million is required because of the loss of government grant following the Emergency Budget in June 2010. The most recent Budget Management Report for 2010/11, based on information available as at 30 September 2010, forecasts an overspend of £3.251 million at the year-end. This represents a significant improvement on the position as at 30 June 2010 and additional management actions have been taken to reduce this figure further by the year-end.

48 The government has made clear its priority to tackle the UK's deficit. The Comprehensive Spending Review, reported on 20 October 2010, set spending limits for every government department for the period 2011/12 to 2014/15 and included annual funding reductions of 7.1 per cent for four years for local authorities (totalling approximately 28 per cent over the four years). A more detailed assessment of the impact of the Spending Review will not be available until the local government financial settlement is announced in December 2010.

49 The Council reassessed its Medium Term Financial Strategy (MTFS) in a report to the Executive in August 2010 and expected the impact of the Spending Review to be a cut in general government grants of 25 per cent over the four years covered by the MTFS 2011/12 to 2015/16. As a result, the Council identified the need to reduce expenditure by £36 million over the next three years, with at least £14.6 million of the savings in 2011/12.

50 As part of the budget setting process for 2011/12 the Council has efficiency savings of £9.9 million, leaving a further £4.7 million of savings to be found. A full review of the Council's cost base is taking place and will be considered by the Overview and Scrutiny Committees in December 2010. The Corporate Budget Strategy was endorsed by the Executive on 2 November 2010, including savings proposals.

Financial health

51 The Council's General Fund balance at 31 March 2010 is £5.158 million; the expected closing balance at 31 March 2011 is £6.6 million. The Council's Medium Term Financial Plan allows for an annual contribution to reserves of £1.9 million to building the balances to what the Council consider to be the optimum level of £9 million. This will take some time but must continue to be a key priority for the Council.

Recommendation

R3 Continue to manage the financial position closely in the face of the challenging financial climate following the Comprehensive Spending Review.

Closing remarks

52 I have discussed and agreed this letter with the Chief Executive and the Director of Customer and Shared Services. Copies will be provided to all Council members and I will present this letter at the next Audit Committee meeting.

53 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
Audit Opinion Plan	April 2010
Report on Internal Audit	June 2010
Annual Governance Report	September 2010
Supplementary Annual Governance Report	October 2010

54 The Council has taken a positive and helpful approach to our audit. I wish to thank officers and Council members for their support and cooperation during the audit.

Paul King
District Auditor
November 2010

Appendix 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	£238,775	£233,775	£5,000
Value for money	£89,225	£89,225	-
Total audit fees	£328,000	£323,000	£5,000
Non-audit work			
Total	£328,000	£323,000	£5,000

At the Audit Committee meeting on 18 June 2010 an additional fee of £5,000 was agreed to cover the cost of substantive testing of the payroll system.

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.

Appendix 3 Action Plan

Recommendations

Recommendation 1

Review of the arrangements that were in place for the closure of the 2009/10 accounts to ensure that adequate arrangements are in place for the 2010/11 accounts preparation. In particular to ensure the 201/11 accounts:

- are prepared on a timely basis;
- free from material errors; and
- supported by adequate working papers.

Responsibility	Assistant Director – Financial Services
Priority	High
Date	March 2010
Comments	<p>The authority has undertaken a fundamental review of the 2009/10 closure programme and devised an action plan of key improvement areas required in the 2010/11 closure process. These findings have been shared with an Informal Audit Committee.</p> <p>Key improvements in the 2010/11 closure programme include the production of draft financial statements through a robust third quarter close. It is planned that these will be shared with the April Audit Committee.</p> <p>Working paper requirements will be reviewed with the Audit Commission in advance of year-end and the authority will ensure that appropriate training is provided to officers.</p> <p>The timetable will allow for adequate scrutiny of the 2010/11 annual accounts in advance of the June deadline in order that assurance over the statements can be obtained by senior management.</p>

Recommendation 2

Ensure that adequate resources are allocated to enable the Council to produce IFRS-compliant accounts by 30 June 2011.

Responsibility	Assistant Director – Financial Services
Priority	High
Date	March 2010
Comments	<p>The authority commenced work on IFRS implementation in 2009. It is planned for a restated, IFRS compliant, opening balance sheet to be produced by 31 December 2010. This will be shared with the January Audit Committee along with the revised draft Statement of Accounting Policies.</p> <p>The authority is ensuring that appropriate resource is available to support the IFRS implementation, this includes the recruitment of an experienced Chief Accountant with appropriate IFRS experience.</p> <p>The authority has planned for full IFRS compliance within its closure programme and will identify responsible officers and timescales accordingly.</p>

Recommendation 3

Continue to monitor the financial position closely and make the necessary decisions about services to balance the budget and increase the general fund balance in 2011/12 and future years.

Responsibility	Assistant Director – Financial Services
Priority	High
Date	Ongoing
Comments	<p>The authority continues to closely manage and monitor its financial position through regular challenge and reports to senior management, Portfolio Holders and Executive. This includes the close scrutiny of planned savings through the Efficiencies Implementation Group chaired by the Deputy Chief Executive.</p> <p>Additionally, in order that it is able to plan into the medium term on a firm and understood basis it has undertaken a fundamental base budget review.</p> <p>The medium term financial planning process commenced early in the financial year and continues to actively review its budget assumptions against government announcements regarding levels of funding.</p>

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