

# Annual Audit Letter

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Barrow-in-Furness Borough Council

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Audit 2008/09

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December 2009

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## **Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

**This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

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## Audit Opinion and Financial Statements

- 1 At the Governance Committee meeting on 23 September 2009 we discussed the detailed findings from my 2008/09 audit which were reported in my Annual Governance Report. The accounts were well prepared and were supported by good working papers.
  - 2 I issued an unqualified opinion on the accounts on 30 September 2009.
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## Value for money

- 3 I issued an unqualified value for money (VFM) conclusion in respect of your arrangements for securing value for money from the use of resources on 30 September 2009.
- 4 My assessment of your arrangements to secure value for money is based on the work we have completed covering all the key lines of enquiry (KLOE) set out by the Audit Commission for District Councils. We assessed the strength of governance arrangements at Barrow using the good governance standard and an ethical governance survey, and we undertook a survey to assess levels of awareness of your counter fraud and corruption arrangements. A review of risk management arrangements within the Cumbria Strategic Partnership has also been undertaken across Cumbria.
- 5 The key issues arising from my review of your arrangements to secure value for money include:
  - The Council has set key priorities for the Borough and has redesigned services and made investments to support priorities.
  - The Council is aware of the issues that it has to deal with because of geographical isolation and deprivation in parts of the borough.
  - The Council works in partnership with Liberata in the delivery of services and there is a partnership board which monitors performance
  - The Council has an understanding of likely workforce issues arising out of major projects and has produced a human resource strategy

- 6 The key areas for improvement include:
- It is important that the Council reviews and updates the medium term financial strategy to support the delivery of priorities.
  - Cost and performance information should be used more frequently on a routine basis to inform decision making.
  - The benefits inspection identified that the Council needs to provide more challenge and improve the quality of services provided by Liberata.
  - The actions identified following the risk management workshop need to be fully implemented to embed risk management arrangements at the Council.
  - Risk management across the Cumbria Strategic Partnership (CSP) needs to improve.
  - The Council needs to update the work force plans to fully reflect future staffing needs.
- 7 The findings from my Annual Governance Report, my Use of Resources report, the review of governance arrangements, ethical governance and fraud awareness surveys and the Cumbria Strategic Partnership review are summarised below. The individual reports have been agreed with the Council and the CSP report and action plan is being discussed within the CSP.

# Audit opinion on the financial statements

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

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## Issues arising from the audit

### Audit opinion

- 8** I reported to those charged with governance the issues arising from the audit of the accounts in September 2009 in my Annual Governance Report. The accounts were prepared to a high standard and were supported by good working papers. I issued an unqualified opinion on the accounts on 30 September 2009.

### Internal Audit

- 9** During the year we undertook a review of Internal Audit. We concluded that the internal audit arrangements at Barrow comply with standards set out in the CIPFA Code of Practice for Internal Audit in Local Government.

### Economic downturn

- 10** The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies has been immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes.
- 11** The Council has considered the impact of the banking crisis on its treasury management and will need to consider the implications as part of its medium term financial plan. The Council also took steps to increase the level of reserves during 2008/09.
- 12** The economic downturn also affects my audit considerations and as part of my responsibility, I have reviewed the Council's treasury management arrangements and found them to be prudent.

# 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.

## Value for money conclusion

**13** I issued an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources on 30 September 2009.

## Use of resources judgements

**14** The use of resources theme scores for Barrow Borough Council are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in paragraphs 16 to 24. The findings from the review of governance arrangements, ethical governance and fraud awareness surveys and the Cumbria Strategic Partnership review are summarised in paragraphs 25 to 34 below.

**15** In forming my scored use of resources judgements, I have used the methodology set out in the use of resources framework. Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.

**Table 1 Use of resources theme scores**

Use of resources theme	Scored judgement
Managing finances	Level 2, performs adequately
Governing the business	Level 2, performs adequately
Managing resources	Level 2, performs adequately

## Value for money and use of resources

### Managing finances

- 16 The Council has set key priorities for the Borough and for the delivery of services which are reflected in the schemes delivered. The business plan for 2008/09 links to these key priorities. An approved treasury management policy is in place and the council has continued its prudent investment policy during 2008/09. The level of risk has been monitored throughout the year and is considered when making deposits. It is important that the Council reviews and updates the medium term financial strategy to ensure all assumptions remain appropriate.
- 17 The Council understands its costs and performance and reports these to managers and councillors. It is aware of the issues that it has to deal with because of geographical isolation and because of the deprivation in parts of the borough. The routine reporting of performance information is based on reporting by exception and the Council needs to ensure that it is using cost and performance information in a consistent and systematic manner across the workings of the whole organisation to improve outcomes for the people of Barrow.
- 18 The Council produced good quality accounts which were prepared and approved by the audit committee ahead of the deadline. An explanatory paper has been taken to the audit committee to accompany the accounts. The working papers supplied to support the accounts are of a good quality and errors in the accounts relating to classification of expenditure and assets were amended by management.

### Governing the business

- 19 The Council is delivering outcomes in line with priorities and has in specific cases redesigned services and made appropriate investments to better meet those needs. The Council works in partnership with Liberata in delivery of services. There is a partnership board which monitors performance however the benefits inspection identified that the Council needs to provide more challenge to the service provided by Liberata.
- 20 The actions identified following the risk management workshop have been partially implemented by the Council. The Council has a risk management policy but risk is not considered as part of the finance and performance reporting and risk management considerations are not fully integrated into committee reports to encourage a risk aware culture. The Council has not adopted the Treasury good practice guidance on managing risks with partners.
- 21 A counter fraud strategy is in place which is available on the Council's website. The Council has an audit committee and effective internal audit in place. The audit committee could provide more effective challenge if internal and external audit recommendations and progress against them was reported to the audit committee on a regular basis.

### Managing resources

- 22** The Council's workforce is small compared with similar sized districts as many services have been contracted out. The Council understands the profile of its workforce and reports on this annually to managers and councillors, the reports include equality and diversity figures. The Council has produced a human resource strategy and has an understanding of likely workforce issues arising out of major projects, however the Council needs to update the work force plans to fully reflect future staffing needs.
- 23** The Council has a variety of policies for good people management, flexible working and well being which are well publicised on its intranet, including an externally sourced employee assistance programme. Regular reporting of activity takes place including the scrutiny review of sickness absence which has led to immediate reductions in sickness absence.
- 24** The Council has not yet reached agreement over a single status agreement and it has not completed job evaluations. The financial plans to deal with the outcome of this are therefore not well developed.

### Good governance standard

- 25** We used the good governance standard to assess the strength of governance arrangements at Barrow. To complete this work we undertook:
- an electronic survey of members and officers;
  - a document review of governance policies and procedures; and
  - interviews with members and senior managers.
- 26** We then ran a workshop attended by members and senior officers in October 2009. This explored the results of the diagnostic and agreed an action plan.
- 27** Overall, the results were positive and consistent between Members and officers. The Leader of the Council and the Monitoring Officer have agreed to oversee the implementation of the actions agreed at the workshop. The detailed findings of this work have been reported separately.

### Ethical Governance Diagnostic

- 28** We undertook a review of ethical governance arrangements at the Council. Our review involved:
- an on-line confidential survey of all members and senior officers;
  - an assessment of the responses including a comparison with other councils; and
  - the Monitoring Officer completing a questionnaire on the Council's arrangements and any conduct issues that may have arisen in the recent past.

## Value for money and use of resources

- 29** The survey results provide evidence that the Council has strong ethical governance arrangements in place. The detailed findings of this survey have been reported separately.

### Changing Organisational Cultures – Fraud awareness

- 30** In order to update our assessment of the level of awareness of the Council's counter fraud and corruption arrangements staff were asked to complete an online survey in April to June 2009. The Council's staff demonstrated a greater awareness of the Council's counter fraud and corruption arrangements than the average for other councils.
- 31** The overall level of awareness of the Council's counter fraud arrangements was similar to that assessed two years ago. The level of awareness of the Public Interest Disclosure Act (whistleblowing) had improved significantly with 46 per cent of staff being aware of it and its implications, compared with 27 per cent previously. The detailed findings of this survey have been reported separately.

### Review of Risk Management in the Cumbria Strategic Partnership

- 32** All partnerships face uncertainties in delivering their objectives and effective strategic risk management is essential to enable the Cumbria Strategic Partnership (CSP) to exploit opportunities to improve services in a cost efficient way. During 2008/09 we undertook a cross cutting review of Risk Management within the Cumbria Strategic Partnership (CSP).
- 33** The CSP's Governance Framework clearly sets out the risk management arrangements, however these are not implemented consistently nor do they encourage well managed risk taking to deliver innovative service improvements and efficiencies. Overall, partnership risk management has a low profile in the CSP and risks are identified at too high a level. As a result, there is limited input from partner organisations and there are no linkages between the high level assessments and partner organisations' risk assessments.
- 34** The CSP's Governance Framework needs to be fit for purpose without imposing a burden on the partnership managers. Partners acknowledge improvements are required to the risk management and wider governance arrangements within Cumbria Strategic Partnership. Our detailed report and action plan is being discussed within the CSP.

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# Looking forward

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## Benefits Service

- 35** Following the inspection of the benefits service in July 2008 a re-inspection will be undertaken in January 2010. The Council needs to ensure that the actions agreed last spring are being implemented and that the Benefits service is providing good quality services to local people.

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## Organisational Assessment and Comprehensive Area Assessment

- 36** In December 2009 the Audit Commission will publish its findings from the review of Barrow-in-Furness Borough Council's Organisational Assessment which forms part of the Comprehensive Area Assessment for Cumbria as a whole. These assessments draw on our findings from our work on the Council's use of resources but are separate judgements made by the Audit Commission's Comprehensive Area Assessment Lead (CAAL).

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## Use of Resources Assessment during 2009/10

- 37** The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. In 2009/10, KLOE 3.3 - workforce planning will not be assessed but KLOE, 3.1 - natural resources - will apply to district councils. As we have not assessed the Council's use of natural resources before we plan to commence our work in this area early in the New Year.

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# Closing remarks

- 38** I have agreed this letter with the Chief Executive and Borough Treasurer. I will present this letter at the Audit Committee on 16 December 2009 and will provide copies to all committee members.
- 39** 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.

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**Table 2 Reports issued during the year**

Report	Date issued
Audit Plan	June 2008
Audit Opinion Plan	March 2009
Annual Governance report	September 2009
Risk Management in the Cumbria Strategic Partnership	November 2009
Use of Resources report	December 2009
Ethical Governance Diagnostic report	December 2009
Changing organisational cultures report	December 2009
Good Governance Diagnostic report	December 2009
Review of Internal Audit	December 2009

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**Table 3 Audit fees**

	Actual	Proposed
Financial statements	£66,982	£66,982
Value for money	£44,210	£44,210
<b>Total audit fees</b>	<b>£111,192</b>	<b>£111,192</b>
Inspection	£5,972	£5,972
<b>Total</b>	<b>£117,164</b>	<b>£117,164</b>

### Acknowledgements

40 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.

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### Independence

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

Gina Martlew  
Appointed Auditor  
December 2009

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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