

Annual Audit Letter

South Ribble Borough Council

Audit 2010/11



Contents

Key messages	3
Audit opinion and financial statements	3
Value for money	3
Current and future challenges	4
Financial statements and annual governance statement	5
Overall conclusion from the audit	5
Significant weaknesses in internal control	5
Value for money	6
Closing remarks	8
Appendix 1 - Fees	9
Appendix 2 - Glossary	10



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.**

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

Audit opinion and financial statements

I issued an unqualified audit opinion on the 2010/11 financial statements on the 29 September 2011. The financial statements had been prepared to a good standard with only a very small number of changes made, the majority of which were to disclosure notes. These were not of a significant nature and did not affect the underlying financial position of the Council.

This was the first year of full implementation of international financial reporting standards and in this context this represents a significant achievement.

Value for money

I issued an unqualified value for money conclusion on 29 September 2011 where I concluded that the Council has in place appropriate arrangements in place for managing its use of resources against the two criteria specified by the Audit Commission:

- Financial Resilience; and
- Securing economy, efficiency and effectiveness.

The Council has adopted a strategic approach to dealing with a significant reduction in resources. It has a good track record in identifying and delivering significant savings whilst also maintaining or improving services. In 2010/11 the Council over achieved its efficiency target resulting in savings of £1,181,000 being delivered. Budget monitoring in 2011/12 shows the Council is again on track to deliver its targeted efficiency savings.

Plans for future years' savings are not yet fully developed and the key challenge for the Council is to identify further significant efficiency savings whilst continuing to provide good services to the local community. Its response to the current financial climate together with its track record, indicate it is well placed to meet this challenge.

Current and future challenges

Economic downturn and pressure on the public sector

The Council's medium term financial planning shows that it needs to achieve additional ongoing savings over the next three years of between £1.8 million and £1.9 million. Continuing to deliver annual savings to this level is a significant challenge. Additionally uncertainties exist in a number of areas which could affect the level of future savings needed.

For 2011/12 firm plans are in place to deliver the £1.8 million savings required and good progress has been made in delivering these savings. For the next two years, clear plans have been agreed to achieve part of the required savings but plans for bridging the remaining gap of £800,000 in 2012/13 and a further £800,000 for 2013/14 are not yet determined. In line with many other authorities, these are expected to be developed over the coming months.

As the Council moves forward it will need to:

- ensure continued resilience in its medium term financial strategies;
- closely manage and monitor the delivery of efficiency savings and operational plans;
- consider alternative modes of service provision;
- track forecast patterns of demand and their potential impact on Council services and finances; and
- re-consider priorities in the light of the above.

Joint arrangements / shared services

The Council continues to develop and expand its shared financial services arrangement with Chorley Borough Council. Whilst looking to explore all areas of potential collaboration, it remains important that the Council undertakes robust risk assessments to ensure it obtains the most efficient and cost effective means of service delivery.

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.

Overall conclusion from the audit

The Council continues to prepare its financial statements that are in accordance with recognised professional standards and are supported by good quality working papers. I gave an unqualified audit opinion on the 29th September 2011.

There were no significant issues arising from my audit and the majority of any changes were primarily made to disclosure notes. I reported these to the Governance Committee on the 28 September within my Annual Governance Report.

Significant weaknesses in internal control

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

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.

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.

Value for money criteria and key messages

Criterion	Key messages
1. Financial resilience The organisation has proper arrangements in place to secure financial resilience.	<p>Sound arrangements exist at the Council for securing financial resilience. This was evidenced by the following:</p> <ul style="list-style-type: none">■ the management team and members clearly understand the significant and rapidly changing financial management challenges and risks facing the Council. It is taking appropriate action to secure a stable financial position. In 2010/11 South Ribble exceeded its efficiency target of £920,000, by £261,000;■ going forward for 2011/12 the Council has detailed plans in place to deliver an efficiency target of £1.8 million and significant progress has already been made in delivering against this target;■ the general fund balance of just over £4 million at 31 March 2011 provides some contingency against the increased risks of delivering against such challenging efficiency savings targets giving the Council time to respond to under delivery or new spending pressures; and

Criterion	Key messages
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p>	<p>■ Members provide constructive scrutiny and challenge on financial matters to ensure arrangements remain robust and fit-for-purpose. The Governance Committee scrutinises and challenges financial performance effectively, holding officers to account..</p> <hr/> <p>The Council has demonstrated that it has effective arrangements in place for securing economy, efficiency and effectiveness. In particular:</p> <ul style="list-style-type: none"> ■ the Council has effective leadership in place adopting a strategic approach to identifying cost reductions and challenging spending; ■ there is good engagement, including local consultation, in identifying and delivering the necessary changes to services and securing cost improvements; ■ the Council uses costs and performance information well in decision making and commissioning to determine opportunities for improving value for money. Current examples include proposals for making changes in the way in which the Council interacts with local communities aimed to improve services whilst also reducing costs and gaining wider benefits to the council as a whole from community working; and ■ the Council is continuing to extend its shared working with Chorley Council around Revenues and Benefits, and joint procurement exercises to improve the value for money delivered to both Councils of such services.

Closing remarks

I have discussed and agreed this letter with the Chief Executive. I will present this letter at the Governance Committee on 1st December 2011 and will provide copies to all board members.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the following report issued to the Council during the year.

Report	Date issued
Annual Governance Report	September 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.

Fiona Blatcher

Engagement Lead

October 2011

Appendix 1 - Fees

	Actual £	Proposed £	Variance £
Scale fee	95,897	103,650	(7,753) *
Non-audit work	0	0	-
Total	95,897	103,650	(7,753)

* - this relates to the rebates received during the year to subsidise the 'one-off' element of the cost of transition to International Financial Reporting Standards (IFRS) and the reduction in VFM conclusion work.

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 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.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2011.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

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.

