

Annual Audit Letter

Rossendale Borough Council

Audit 2010/11



Contents

- Key messages.....3**
 - Audit opinion and financial statements.....3
 - Value for money3
- Current and future challenges4**
- Financial statements and annual governance statement.....5**
 - Overall conclusion from the audit.....5
 - Significant weaknesses in internal control.....5
- Value for money.....6**
- Closing remarks8**
- 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 opinion on your financial statements on the 16 September 2011.

- The Authority produced financial statements for audit by 6 June 2011, well ahead of the 30 June deadline.
- The overall effect of the amendments made during the course of the audit increased the overall surplus on the Comprehensive Income and Expenditure Account by £564,000 to £4.559 million. However, there was no overall impact on the General Fund balance since there were associated adjustments to the Movement in Reserves Statement and the Balance Sheet.
- The majority of other amendments made related to the notes to the accounts.

Value for money

I issued an unqualified opinion on the value for money conclusion on 16 September 2011. I concluded the Authority has appropriate arrangements in place for managing its use of resources against the two criteria specified by the Audit Commission.

- Financial resilience.
- Securing economy, efficiency and effectiveness.

My key findings were that:

- the Council has a robust financial planning process in place for budget setting and maintaining a longer term financial plan. It has identified £1.6 million of saving to set a balanced budget for 2011/12;
- Members and officers are aware of the key financial challenges facing the Council; and
- the Council has the skills to face the challenge necessary to deliver the scale of the spending reductions required of it.

Current and future challenges

Economic downturn and pressure on the public sector

Local government faces one of its toughest ever periods financially. The Council has set a balanced budget for 2011/12 and projects also achieving this in 2012/13 and 2013/14.

Over the medium term the Council will need to continue to develop robust arrangements to:

- ensure the Medium Term Financial Strategy is deliverable;
- deliver efficiencies and plans;
- review income streams;
- identify alternative modes of service provision; and
- respond to changes in demand and priorities.

IFRS

The transition to IFRS has proved challenging in local government where the 2010/11 financial statements had to be prepared in line with IFRS for the first time.

The majority of local authorities found that significant work was required to comply with the requirements of IFRS, to restate the comparatives for 2008/09 and 2009/10 and to include all of the additional disclosure notes required. The task was further complicated for Rossendale because it prepares Group Accounts which incorporate Rossendale Transport Limited.

The Council had a project plan in place which it adhered to.

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

I issued an unqualified opinion on the financial statements on the 16 September 2011. The Council produced financial statements complying with IFRS. Following the audit some material amendments were made to the accounts. These were reported to the Accounts and Audit Committee in 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
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</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>Management and Officers understand the significant financial management challenges and risks facing the Council and are taking appropriate action to secure a stable financial position. Through its 2011/12 budget setting process the Council identified £1.6 million of savings to produce a balanced budget.</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 Strategy (MTFS) in light of the current economic climate. Its current MTFS covers the period 2011/12 – 2014/15 and projects balanced budgets for 2012/13 and 2013/14. It is currently identifying actions to address a potential of deficit of approaching £1 million from 2014/15.</p> <p>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.</p>

Criterion	Key messages
	<p>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.</p>
<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>Focus for 2010/11:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>The Council has the skills to face the challenge necessary 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.</p> <p>There are mechanisms in place to obtain input from or consultation with front-line staff and local residents to identify local priorities for spending.</p> <p>It uses benchmarking against similar councils and performance information to support planning and decision making. It understands how local factors impinge on costs. The Council's costs are commensurate with the service provided given Rossendale's size and relative needs.</p> <p>Rossendale works with the third sector to enhance its capacity to deliver the services people want and need. Further work with partner authorities has resulted in the Council sustaining its access to a wide range of skills and knowledge which might otherwise challenge small authorities.</p>

Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Head of Finance. As I am leaving the Audit Commission during November 2011 my successor will present this letter at the Accounts and Audit Committee on 12 December 2011 and provide copies to all 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
Fee Letter	April 2010
Audit Plan	March 2011
Annual Governance Report	September 2011
Audit Opinion and VFM	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.

Clive Portman
District Auditor

November 2011

Appendix 1 - Fees

	Proposed	Actual	Variance
Scale fee	£105,545	£105,545*	0
Total	£105,545	£105,545*	0

*The Audit Commission is paying a rebate of £7,535 to you.

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.

