

Annual Audit Letter

Blackburn with Darwen 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.

| 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 21 September 2011. The financial statements had been prepared to a good standard with only a small number of changes made, the main one showing the negative past service cost arising on the pension fund as an exceptional item on the Comprehensive Income and Expenditure Account.

Value for money

I issued an unqualified value for money conclusion on 21 September 2011 when I concluded that the Council has 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 continues to perform well and has a robust financial planning process in place for budget setting and maintaining a longer term financial plan.

Current and future challenges

Economic downturn and pressure on the public sector

Local Government faces one of its toughest ever periods financially. In order to meet increasing demand from an ageing population, drive up quality and respond to rising customer expectations it will have to do more with the same amount of money or less. It is therefore inevitable that the shape of some services will have to change.

As the Council moves forward it will need to continue to develop robust arrangements to:

- ensure resilience in its medium term financial strategies;
- deliver efficiencies and future plans;
- assess the funding requirements of capital programmes;
- review income streams;
- identify alternatives modes of service provision; and
- patterns of demand and shifting priorities.

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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 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 21 September 2011.

The only significant issues arising from my audit related to the need to move the negative past service cost of £38,499,000 arising on the pension fund because of the change from consumer price index (CPI) to retail price index (RPI) from non distributed costs to a separate line on the Comprehensive Income and Expenditure Account. Most of the other changes were primarily made to disclosure notes. I reported these to the Audit Committee on 20 September 2011 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 |
|--|--|
| <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>The Council has robust financial arrangements in place to support the delivery of its strategic objectives. Strategic, service and financial plans are integrated, with officers and members contributing to the planning process.</p> <p>The Council is financially well managed and is particularly aware of its current financial position and has a good track record in financial management.</p> <p>There is an effective and experienced Audit Committee in place that makes appropriate challenge across the Council.</p> <p>The Council's medium-term financial planning and annual budgeting reflects its strategic objectives and priorities for the year, and over the longer term.</p> <p>Financial modelling is used to help the organisation to assess likely impacts on financial plans and required savings for different scenarios.</p> |

| Criterion | Key messages |
|--|---|
| | <p>The Council produces monitoring and forecasting information that is reliable, relevant and understandable on a regular and timely basis for budget holders throughout the year.</p> <p>The financial monitoring and forecast information reported in year is consistent with the financial information reported to stakeholders and the local community at the year end.</p> <p>The Council has a good track record of financial management over recent years. In 2010/11 the Council increased its unallocated reserves to £6.9m through careful financial management.</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 linked with local Care Trust Plus to improve delivery of adult care services and significant savings have been achieved through management restructuring.</p> <p>Effective partnership and neighbourhood working is helping the Council to deliver local community priorities.</p> <p>The Council has a detailed understanding of its spending and good comparative information on costs and performance.</p> <p>The Council has access to good quality and timely comparative information on costs and performance, which is used to evaluate options and plans for efficiency savings.</p> <p>Sound processes for internally reviewing value for money are in place and have led to improvements in service delivery.</p> <p>The Council has a good track record of outsourcing its services to Capita and through partnership working across East Lancashire.</p> <p>The Council has produced a robust 2011/12 budget following a cut of £33 million in government funding.</p> |

Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Director of Finance. As I am leaving the Audit Commission at the end of November 2011 my successor will present this letter at the Audit Committee in January 2012 and will 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 |
|--------------------------|----------------|
| Audit Plan | April 2011 |
| 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.

Clive Portman

District Auditor

October 2011

Appendix 1 - Fees

| | Actual | Proposed | Variance |
|----------------|------------|----------|----------|
| Audit fee | £225,607** | £251,943 | £16,987 |
| Non-audit work | nil | nil | nil |
| Total | | | |

** The actual fee reflects the fee rebates from the Audit Commission.

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.

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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