

# Annual Audit Letter

Blackburn with Darwen Borough Council

Audit 2011/12



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# Key messages

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**This report summarises the findings from the 2011/12 audit of Blackburn with Darwen Borough Council. My audit comprises of the audit of your financial statements and my assessment of your arrangements to secure value for money in your use of resources.**

## Financial statements

- 1 My audit of the Council's financial statement is complete and I issued an unqualified audit report on 27 September 2012.
- 2 The financial statements and supporting working papers were prepared to a good standard and audit queries were answered on a timely basis. Two material adjustments to the financial statements were agreed with management following my audit. These adjustments have not affected the underlying financial position of the Council.

## Value for money (VFM)

- 3 I issued an unqualified value for money conclusion on 27 September 2012.
- 4 The Council has robust systems and processes to manage financial risks and opportunities, and to secure a stable financial position. The Medium Term Financial Strategy (MTFS) recognises the financial challenges facing the Council, with budgets and savings plans identified for the medium and longer term.
- 5 The Council is prioritising its resources within tighter budgets and achieving cost reductions. Through the transformation programme, the Council has successfully delivered significant savings over the past two years and plans are in place to deliver further savings in 2012/13.

# Financial statements

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

## Overall conclusion from the audit of the financial statements

**6** I issued an audit report including an unqualified opinion on the financial statements on 27 September 2012.

**7** The financial statements and supporting working papers were prepared to a good standard. Two material adjustments were agreed with management following my audit, together with some other relatively minor amendments to improve the accuracy and presentation of the financial statements. Some errors were identified that management decided not to amend but these errors are not material and will be corrected by officers next year. The adjustments and uncorrected errors do not affect the underlying financial position of the Council.

## Other matters

**8** The Building Schools for the Future (BSF) project involves the building, remodelling and operation of a number of schools in Blackburn with Darwen. The programme includes three schools funded under the Private Finance Initiative (PFI). One of these schools, Pleckgate School, became operational in 2011/12. The other two schools (Witton Park and Central Blackburn) will become operational during 2012/13.

**9** The PFI contracts are material for the Council. The Council accounts for the assets and liabilities of the schemes using an accounting model which is based on the lifetime costs of the scheme. The accounting model needs to be updated each year to reflect any changes to the scheme. The Council therefore needs to ensure that appropriate arrangements are in place to monitor the PFI contracts going forwards and ensure that any changes to the scheme are captured in the accounting model.

# Value for money

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**I considered whether the Council is managing and using its money, time and people to deliver value for money. I assess your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money conclusion.**

**10** I issued an unqualified conclusion on 27 September 2012 stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. My conclusion on each of the two criteria is set out in the table below.

## **Criteria: Financial Resilience - The organisation has proper arrangements in place to secure financial resilience**

### **Focus for 2011/12**

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.

### **Key messages**

The Medium Term Financial Strategy (MTFS) recognises the financial challenges facing the Council and is clearly linked to the 2012/13 budget and savings programme. Budgets and savings plans have been set for the medium and longer term with resources set aside in reserves for 'invest to save' initiatives. The medium term risks and opportunities for the Council are identified in the MTFS along with headline modelling of the best, worst and likely scenarios resulting from future planned and potential changes. Work is ongoing to model and assess the impact of changes to business rates and Council Tax Benefit. Key assumptions are highlighted in the MTFS together with the financial risks associated with changes to these assumptions

There are clear links in the MTFS to the Council's priorities. The Council has undertaken extensive consultation in each of the last two years to identify and confirm its priorities. The Council has an ongoing engagement strategy which has included extensive consultation on spending priorities and budget reductions. The transformation programme, which commenced in 2010/11, has delivered significant savings during 2011/12 with further savings planned for 2012/13. The Transformation Board has overseen the delivery of savings through service redesign and alternative service delivery models which should secure further savings over the medium and longer term.

**Criteria: Securing economy, efficiency and effectiveness - The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness**

**Focus for 2011/12**

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

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**Key messages**

The Council has successfully delivered significant savings over the past two years and plans are in place to deliver further savings in 2012/13. The Council is using cost and performance information to identify and deliver these savings and service changes. For example, in Adult Social care changes to care packages are providing home based care, which is designed to both improve client experience and reduce costs. Contracts have also been renegotiated to reduce costs in areas such as waste.

Alternative approaches to delivering services are being developed. The 'reablement' programme and increased use of telecare in Adult Social care, and the reconfiguration of Children's centres, is enabling services to continue in a different way or from different locations. Changes to Library services are delivering financial savings whilst retaining library services for example through reduced hours.

The Council has strong and comprehensive project management and risk management arrangements in place to support the delivery of its savings and transformation programmes. These project and risk management processes should ensure that the Council is able to monitor delivery of savings effectively whilst also understanding the impact of resource and staffing changes on services and performance.

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# Closing remarks

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**11** I have agreed this letter with the Director of Finance.

**12** While this has been another challenging year for the Council I wish to thank the finance staff for the positive and constructive approach they have taken to my audit. I also wish to thank senior management and the Audit Committee for their support and co-operation during the audit.

**13** Further detailed findings, conclusions and recommendations in the areas covered by my audit are included in the Annual Governance Report which was presented to the Audit Committee in September 2012.

Karen Murray  
District Auditor

October 2012

# Appendix 1 – Glossary

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## **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.



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