

The Annual Audit Letter for Blackburn with Darwen Council

Year ended 31 March 2015

October 2015

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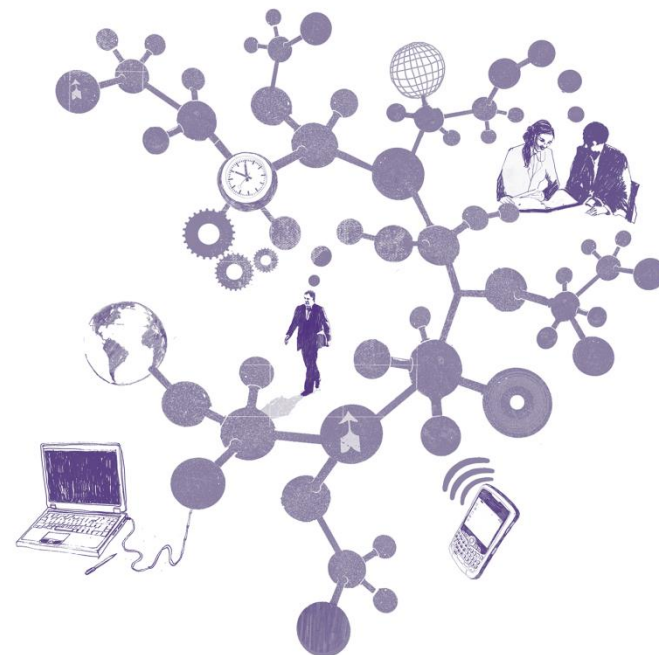
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Contents

Section	Page
1. Key messages	3
Appendices	
A Key issues and recommendations	6-11
B Summary of reports and audit fees	12

Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Blackburn with Darwen Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

Financial statements audit (including audit opinion)	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report to the Audit Committee on 22 September 2015. The key messages reported were:</p> <ul style="list-style-type: none">• our audit did not identify any material issues and we did not require any adjustments affecting the Council's reported financial position.• the draft accounts were prepared to a good standard and supported by appropriate working papers• the Council amended the Comprehensive Income and Expenditure Account to correct a non material error but management decided not to amend the draft financial statements for 2 non material issues we identified relating to Property, Plant and Equipment values• a number of adjustments were agreed to ensure compliance with accounting practices and to improve the presentation of the financial statements <p>We issued an unqualified opinion on the Council's 2014/15 financial statements on 30 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p> <p>Looking forward</p> <p>The Council will continue to faces a number of challenges in to 2015/16 and beyond and include:</p> <ul style="list-style-type: none">• Ensuring that appropriate plans are in place to value transport infrastructure assets in accordance with the Code of Practice on Transport Infrastructure Assets from 2016/17 onwards. This requirement is likely to result in significant changes to local authority financial statements with estimates of the cumulative impact nationally ranging from £200 - £400bn. We will continue to work with the Council as we progress towards the implementation date. We will discuss with you the issues arising and the plans you put in place to address these matters.
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Key messages continued

Financial statements audit (including audit opinion) - Continued	Looking forward (continued) <ul style="list-style-type: none"> Meeting the significant challenges brought about by the requirement to bring forward the accounts publication date from 30 September to 31 July for the 2017-18 accounts and onwards. Moving the timetable forward by two months will require the Council to review it's final accounts closedown processes. We will work with the Council to agree a suitable timetable and help identify key actions to achieve the required outcome.
Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2014/15 on 30 September 2015.</p> <p>Our review confirmed that the Council continues to have effective arrangements in place to deliver financial resilience. However, the Council is facing increasing financial and demographic pressures. As a result, identifying and securing the required savings is becoming increasingly difficult. Members and the Senior Management Team of the Council have continued to demonstrate an understanding of the scale of the challenge needed to reshape the Council to ensure resources are prioritised and spending reductions achieved.</p> <p>In 2014/15 actual net expenditure was £148.282m compared to the original budget of £145.260m, an overspend of £3.022m. Portfolios overspent by £7.089m and the Council utilised an additional £2.614m of unplanned reserves. Whilst the overall level of reserves and general fund balances remain at appropriate levels, this performance and use of reserves is unsustainable over the medium to longer term. In March 2015 the Council set a balanced budget for 2015/16 and the MTFS was revised to cover the period 2015 -2018 and set out a cumulative budget shortfall of £45m by 31 March 2018.</p> <p>Currently, the Council has already identified that significant pressures on Adult Social Care budgets continue and a review of all discretionary spending is being undertaken. The Corporate Budget Monitoring Report 2015/16 as at June 2015 set out that the Adult Social Care overspend is anticipated to be in the region of £3.5m.</p> <p>Looking forward, the Council have recognised that new and innovative ways of working to deliver services will be needed to ensure that savings targets are met, costs are reduced and objectives achieved. It is acknowledged that, against the backdrop of potential devolution, new ways of working will need to be established that may include more local government joint working, the creation of Combined Authorities and pooling technical expertise. Plans are being developed to embrace new ways of working to reshape the Council to meet these considerable financial challenges.</p> <p>We will monitor the progress made by the Council to ensure that robust business plans, strategies and financial plans are now put in place to help achieved the stated outcomes.</p>

Key messages continued

Value for Money (VfM) conclusion	On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. We made a number of recommendations and they are set out at appendix A along with a response from Management.
Whole of Government Accounts	We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.
Certification of housing benefit grant claim	Our work on the certification of the grant claim within the scope of the Audit Commission regime is on going. The detailed findings of our work will be reported to the Audit Committee on completion of our work.
Audit fee	Our fee for 2014/15 was £137,119, excluding VAT which was in line with our planned fee for the year. Further detail is included within appendix B.

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
VALUE FOR MONEY			
1.	Review the rising level of sickness absence per FTE and ensure effective action is undertaken to manage cases, reduce absence and work toward achieving the target.	Medium	<p>Although the Council continues to perform consistently when compared to similar Unitary, County or Metropolitan North West Local Authorities in relation to sickness absence levels, and is 9th best performing from 20 such LA's reporting this year, there have been a number of proactive initiatives undertaken in departments and across the Council to reduce the sickness absence levels. Work continues on improving performance with more training for managers, improved business reporting and more proactive performance management into 2015/16.</p> <p>Responsible officer: Director of HR Due date: On-going through 2105/16</p> <p>There are currently a number of initiatives for addressing the levels of absence, which include increased HR support (in the form of the Sickness Project), Management Training and Staff Wellbeing Sessions. Over the next few months, the Council will continue to identify and work with Managers and the Trade Unions to work together collectively to improve performance.</p> <p>Responsible officer: Director of HR Due date: By 31st March 2016</p> <p>The new HR and Payroll System Manager Self-Service elements continue to be rolled out and during 2015/16 managers will have increased access to real time information on their teams' performance and senior managers will have improved performance management enabling earlier interventions to address areas of particular under performance.</p> <p>Responsible officer: Director of HR Due date: By 31st March 2016</p>

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2.	Ensure that plans are in place to manage budgets to minimise overspends, particularly in Adult Social Care, as recognised by the Council in the Annual Governance Statement.	High	<p>Monitoring information in respect of the overall Council position and individual portfolios is considered by the Executive Finance Steering Group on a monthly basis. This group includes the Chief Executive, Executive Directors, the Director of Finance and IT and the two Heads of Service in Finance (People and Corporate/PLACE). The group also provide additional scrutiny and challenge around Adult Social Care (ASC) in respect of monitoring the financial position and operational activity with the ASC Director and ASC Head of Service on a regular basis.</p> <p>Detailed budget monitoring takes place for each portfolio within the respective Senior Policy Team, Senior Leadership Team and Department Management Team, as well as with individual budget holders, with a focus on key critical/high risk budgets. For ASC, detailed monitoring is undertaken within their Senior Leadership Team and separate meetings are held with key operational managers, particularly around high risk areas such as Commissioning budgets.</p> <p>A Financial Management Board is in place to monitor and review the efficiencies identified (and their subsequent delivery), with our efficiency partner within ASC and data is verified and signed off by this Board in accordance with agreed metrics. Work is underway with the ASC Performance section to monitor activity levels within this service area and the financial implications thereof. Review of the data and action planning arising from this is a key element of the monthly Senior Leadership and Senior Policy Team meetings.</p> <p>Responsible officers: Chief Executive, Executive Directors, Director of Finance & IT, Director of Adult Social Care, Heads of Service - Finance and Adult Social Care</p> <p>Due date: On going</p>

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3.	Review the achievability of the of Internal Audit annual plan in light of the delivery challenges faced in recent years.	Medium	<p>Revisions to the approved internal plan were reported to, and agreed by, the Audit Committee over the last two years. Resources were targeted at Priority 1 audits to facilitate delivery in 2014/15 and to ensure Internal Audit we were able to provide the required opinion for the Head of Audit Annual Report. Internal Audit KPIs are in place and are monitored and reported quarterly to Audit Committee.</p> <p>At this stage of the year the Audit and Assurance team is at 100% of its staffing establishment and as a result we do not anticipate any shortfall in delivery of the 2015/16 plan. Should this arise this would be reported to Audit Committee at the earliest opportunity.</p> <p>Self-assessment against the requirements of the PSIAS has been completed and actions identified. These are monitored and reported to Audit Committee as part of the regular progress and annual reports. Effectiveness of the Audit and Assurance Team and compliance with the PSIAS has been reported in the Annual Head of Internal Audit report 2014/15. An action plan is in progress to address outstanding areas of compliance. To progress this area the team has volunteered to be part of a pilot exercise for a 'peer to peer' review with their Association of Greater Manchester Authorities (AGMA) group colleagues later in the year.</p> <p>Responsible officer: Head of Audit and Assurance Due date: By 31st March 2016</p>
4.	Ensure action is taken to address the issues identified by IA in their March 2015 review of risk management arrangements which gave a limited assurance opinion based on compliance issues with controls in place.	Medium	<p>A management action plan was agreed as part of the final audit report. The actions are underway, with a revised Corporate Risk Management framework and Strategy to be presented to Resources Senior Policy Team for approval by the end of December. Progress of the actions will be reported to and monitored by the both Internal Audit, as part of their follow up work, and the Corporate Risk & Resilience Forum.</p> <p>Responsible officers: Director of Finance and IT & Head of Audit and Assurance Due date: By 31st December 2015</p>

Appendix A: Key issues and recommendations – continued

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
VALUE FOR MONEY			
5.	Monitor progress against the plans and recommendations put in place that seek to strengthen corporate procurement arrangements.	Medium	<p>SpendPro reports have been developed and implemented to enable areas of cross cutting areas of expenditure to be identified and escalated to Directors for consideration. A report was presented to February 2015 Management Board identifying initial areas for consideration of opportunities for more corporate arrangements to be developed to improve VFM achieved from Council spend. Progress on this area has been impacted by the limited resources in the team and the priority work required providing advice and support regarding the re-procurement of services currently delivered by the Strategic Partnership to ensure that appropriate arrangements are in place by June 2016. Additional staff resources are now in place to provide support to this area and allow other planned work to be progressed.</p> <p>The Contract and Procurement Procedures and related processes have been reviewed and updated to ensure that they comply with latest EU regulations, reflect current best practice, improve efficiency and increase the opportunities for local business.</p> <p>On-going work and actions currently be implemented are:</p> <ul style="list-style-type: none"> • The Chest is operating as the Council's preferred procurement route for quotes and tenders. • The P-card project is progressing according to plan with the pilot to be in place by the end of September and rolled out across the Council during the rest of the year on a case by case basis. • The Corporate Procurement Improvement Group meets on a regular basis and the Procurement team has regular meetings with Integrated Commission Group colleagues. • A Director's Departmental spend dashboard report on departmental spend is in development. • Procurement training has been delivered to specific teams but a wider training programme has not been fully implemented due to other priorities and demands on the Procurement team. Work is underway with Organisational Development colleagues to roll this out to wider Council during 2015/16, with a bite sized training session for Chief Officers and Heads of Service in September. <p>Responsible officer: Director of Finance and IT and Strategic Procurement Manager Due date: Various between 30 September 2015 and July 2016</p>

Appendix A: Key issues and recommendations – continued

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
VALUE FOR MONEY			
6.	Ensure that robust business plans, strategies and financial plans are now put in place to help achieved the stated aim to develop alternative partnership arrangements and methods of service delivery.	High	<p>The Council is involved in several significant partnerships, in joint working arrangements where the partners:</p> <ul style="list-style-type: none"> • are otherwise independent bodies; • agree to co-operate to achieve common goals and outcomes for the community; • share accountability, risks, and resources; • share relevant information; and • agree processes and programmes to achieve the common goal. <p>Examples of such partnerships include those with police, fire, probation, registered social landlords and the third sector in delivering the Transforming Lives agenda, with the NHS in the Better Care Fund (BCF) and in the Alignment of Plans exercise as part of Healthier Lancashire review and with other local authorities as part of Regenerate Pennine Lancashire (RPL).</p> <p>For each of these partnerships a Partnership Board is in place on which the Council has Executive Director and/or Director representation; for each formal governance arrangements and strategic plans in place. Financial plans are also in place to support the more developed partnership arrangements (e.g. BCF, RPL) whereas others are in the process of development (i.e. Transforming Lives and Healthier Lancashire).</p> <p>Responsible officers: Chief Executive, Executive Directors, Directors Due date: On going</p> <p>(continued overleaf)</p>

Appendix A: Key issues and recommendations – continued

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
VALUE FOR MONEY			
6.	(Continued) Ensure that robust business plans, strategies and financial plans are now put in place to help achieved the stated aim to develop alternative partnership arrangements and methods of service delivery.	High	<p>The Significant Partnerships Register is updated on an annual basis to review and assess partnerships to make sure that they continue to offer value for money and that the intended outcomes are being achieved. Partnership arrangements are kept under review to make sure that they are well managed and governed and as such a governance framework has been adopted for significant partnerships based on the principles of the Council's Code of Corporate Governance.</p> <p>Responsible office: Corporate and Place Strategy Unit Due date: By 31st March 2015</p> <p>One of the most significant partnerships that the Council has been involved in for the last 15 years, the Strategic Partnership with CAPITA (which has delivered a host of out-sourced council services), will come to an end in June 2016. Business Cases, considering options for future service delivery supported by financial analysis and plans, have been developed and considered by the Council's Partnership Review Programme Board and the outcome of these, and the preferred options, have been approved by the Executive Board. The Programme Board and the individual delivery work-streams beneath it will progress the work to exit the partnership and to facilitate a seamless transition to future delivery over the coming year. Exit transition project plans and risk registers are in place for each of the work-streams and feed into the over-arching Exit Plan reported to the Programme Board.</p> <p>Responsible Officer: Executive Director of Resources Due date: By 30th June 2016</p>

Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

Fees for audit services

	Per Audit plan £	Actual fees £
Council audit	137,119	137,119
Grant certification on behalf of the Audit Commission	19,880	23,712
Total audit fees	156,999	160,831

Fee variation – Grants Certification

Our Audit Plan set out a fee for grant certification of the housing benefit subsidy return. Subsequently, we were required to complete the certification of your Local Transport Plan return.

Reports issued

Report	Date issued
Audit Plan	March 2015
Audit Findings Report	September 2015
Certification Report	To follow
Audit Committee Update reports	December 2014 March 2015 May 2015
Annual Audit Letter	October 2015

Fees for other services

Service	Fees £
Audit related services	
• Teachers' Pensions Agency Accountants Report	4,200
• Regional Growth Fund – Accountants Report (x3)	9,500
Non-audit related services	5,750



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