

Annual Audit Letter

Chorley 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 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.

Chorley has a good track record in delivering significant savings whilst also maintaining or improving services. In 2010/11 it achieved its efficiency target resulting in savings of £1.2 million being delivered. Budget monitoring in 2011/12 shows the council is again on track to deliver further targeted efficiency savings of £1.3 million.

For the following three years the Council has estimated that it needs to save a further £2.9 million. Provisional plans are in place to meet its savings target for 2012/13 and work is ongoing to determine how to meet required savings in future years.

A key challenge for the Council is the continued identification and delivery of further significant financial savings whilst still meeting local needs. The Council's response to the current financial climate, together with its track record, indicates that it is well placed to meet the key challenges it faces in the coming years.

Current and future challenges

Economic downturn and pressure on the public sector

The Council's medium-term financial planning indicates that savings over the next three years of £2.9 million are needed. Provisional plans are in place to meet the required savings target for 2012/13 and work is ongoing to determine how to meet the remaining required savings in future years. Continuing to deliver this scale of savings is a significant challenge. Additionally uncertainties exist in a number of areas of government policy which could impact on the level of future savings needed.

For 2011/12 firm plans are in place to deliver the £1.3 million savings required and good progress has been made in delivering these savings.

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 alternatives 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 South Ribble 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 29 September 2011.

There were no significant issues arising from my audit and the majority of changes related to disclosure notes. I reported these to the Audit Committee on the 29 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 |
|--|--|
| <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>Sound arrangements exist at the Council for securing financial resilience. This was evidenced by the following.</p> <ul style="list-style-type: none">■ 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.■ The Council delivered the required level of efficiency savings in 2010/11 to achieve a balanced budget. Budget monitoring in 2011/12 show that it is on course to secure its efficiency savings target of £1.3 million.■ The Council operates within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by members. Reserves have increased during 2010/11 to £2 million providing some contingency against the significant financial pressures and risks facing the Council over the next three years. |

Criterion

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

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

Key messages

The Council has demonstrated that it has effective arrangements in place for securing economy, efficiency and effectiveness. In particular:

- the Council has strong leadership and is adopting a strategic approach to identifying cost reductions and challenging spending. It has reviewed its strategic priorities and the cost-effectiveness of its activities. Surveys, such as PLACE, have shown increased levels of user satisfaction over recent years;
- the Council continues to have good engagement with the local community, staff and external partners and uses this effectively to identify options for addressing the specific challenges it is facing;
- the Council's arrangements for financial strategic planning are effective and it focuses resources through its budget setting programme. It understands how local factors impinge on costs;
- the Council has clear information on costs, including transaction costs and unit costs for specific services. The Council uses costs and performance information well in decision making and commissioning to determine opportunities for improving value for money. The Council has invested the savings secured through these reviews in its priority areas such as reducing crime and anti social behaviour; and
- the Council is continuing to extend its shared working with South Ribble Borough 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 Audit Committee on 19 January 2012 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 |
|--------------------------|----------------|
| Fee Letter | April 2010 |
| Audit Plan | January 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.

Fiona Blatcher
Engagement Lead
November 2011

Appendix 1 – Fees

| | Proposed £ | Actual £ | Variance £ |
|----------------|----------------|---------------|----------------|
| Audit fee | 104,280 | 96,442 | (7,838) * |
| Non-audit work | 0 | 0 | 0 |
| Total | 104,280 | 96,442 | (7,838) |

* The variance between the planned and actual audit fee reflects the rebates issued to the Council from the Audit Commission to subsidise the one-off element of the cost of transition to international financial reporting standards 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.

