

# Annual Audit Letter

Gedling Borough Council

Audit 2008-2009

December 2009



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## Status of our reports

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.
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# Key messages

**This report summarises the findings from my 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

## Audit Opinion and Financial Statements

- 1 I have given an unqualified opinion on the financial statements; the draft financial statements were changed to correct three errors.

## Value for money

- 2 I have also given an unqualified value for money conclusion as you have adequate processes in place to manage and use your resources.

## Organisational assessment

- 3 The assessment of your organisation scored you as performing well. Public satisfaction with services is high and value for money is good. Your priorities match the concerns of local people, such as making the community safer and improving the local environment and these areas are improving. Crime rates and fear of crime has reduced. Public places, streets and parks are well looked after.
- 4 You have a good track record of involving local people in decisions that affect them. People are satisfied with what you are doing to tackle their concerns and 83 per cent of residents say that Gedling is a good place to live. In Nottinghamshire the greatest improvement in the number of residents who feel that people get on well together, has been in Gedling.

## Financial Standing

- 5 The last year has seen the country enter a significant economic recession. The consequence locally is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together these provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
- 6 During the year you have:
  - responded to changing demand for services and kept your spending within funds available;
  - updated your Treasury Management Framework in line with revised CIPFA guidance; and
  - worked with partners to support local people and businesses through difficult economic time.

- 7 The impacts of the recession will continue to present a challenge in the coming financial year and you will need to continue to closely monitor both financial and operational performance. Timely and robust action may be needed to ensure continued financial stability and this may involve difficult decisions. I will continue to monitor your response and actions in this key area.

### Audit fees

- 8 I have been able to deliver the audit within the fee agreed at the start of the year as summarised below

**Table 1 Audit fees**

	<b>Actual £</b>	<b>Proposed £</b>	<b>Variance £</b>
Financial statements and annual governance statement	67,200	67,200	Nil
Value for money	22,200	22,200	Nil
Total audit fees	89,400	89,400	Nil

- 9 In addition I have raised an additional fee of £12,500 this is the final fee in respect of specialist review of the Large Scale Voluntary Transfer of your housing stock.

### Independence

- 10 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

# Financial statements and annual governance statement

**Your financial statements and annual governance statement are an important means by which you account for your stewardship of public funds.**

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## Significant issues arising from the audit

- 11** I issued an audit report including an unqualified opinion on the financial statements on 30 September 2009. My audit identified one material and two non-material errors in your financial statements which were corrected before I issued my opinion.
- 12** You completed a Large Scale Voluntary Transfer (LSVT) of your housing stock in November 2009. I have reviewed the accounting treatment and governance arrangements relating to this major project.
- 13** The accounting requirements for LSVT are highly complex and my review identified the one material error noted above.
- 14** My review of the governance arrangements identified one issue concerning whether members had been sufficiently involved in the LSVT process. The role of and reporting to both cabinet and full council was limited. You operate a "strong leader" style of management and the authority to deal with the LSVT was delegated to the housing portfolio leader with decisions made by the portfolio holder being recorded on the council's website. I am satisfied that you have followed your own constitution but good practice would suggest that for a project of this scale and complexity it would have been appropriate to formally report to Members in a forum where discussion could have been held. In particular major developments during the course of the project could have been considered.

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## Material weaknesses in internal control

- 15** I did not identify any significant weaknesses in your internal control arrangements.

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## Accounting Practice and financial reporting

- 16** I considered the qualitative aspects of your financial reporting and have not identified any significant issues I wish to report to you.

# Value for money and use of resources

I considered how well you are managing and using your resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether you had put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

## Use of resources judgements

- 17** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 18** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 19** Your use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

**Table 2** Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	2
Managing resources	2

- 20** You scored 2 out of 4 for Use of Resources. You are managing your finances well. Managers are taking responsibility for their budgets and are making savings. You have good plans which are financially sound. Plans have been revised in the light of the economic recession and are still affordable.
- 21** Council tax remains low and you have made good progress in becoming more efficient and changing the way you manage and deliver services. Costs of administration are reducing and you are working with others to make savings when you buy goods and services.

## Value for money and use of resources

**22** Although the overall theme scores under the revised use of resources framework are lower than the scores achieved in previous years, this does not necessarily reflect any deterioration in overall performance as the basis of the assessment has been revised. In common with many authorities, the challenge in order to achieve higher scores is to demonstrate how your arrangements result in improved outcomes consistent with your aims and those of your key partners.

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### VFM Conclusion

**23** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.

**24** I issued an unqualified conclusion stating that you have adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

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### Financial standing

**25** I have also considered your financial standing and response to the economic downturn.

**26** You have looked at how the recession has made an impact on your services, local businesses and residents. You have:

- revised your budget in response to the associated changing demand for services;
- have worked with partners to help local residents and businesses through difficult economic times; and
- reviewed the Treasury Management Strategy in March 2009 to include consideration of the latest CIPFA guidance reflecting the economic climate

**27** During 2008/09 you had a:

- general fund (GF) deficit of £776k (4.8 per cent of the gross budget);
- housing revenue account (HRA) deficit of £169k mostly due to budget uncertainties relating to the LSVT and the additional cost of housing repairs; and
- capital underspend of £426k (7.96 per cent of the gross budget).

**28** You are forecasting an overall deficit of £56k for 2009/10 and the position is being kept under review through your budget monitoring arrangements. You have a record of sound financial management and have deemed a supplementary budget is not necessary at the moment.

**29** Your financial position remains challenging and you will need to continue to closely monitor both financial and operational performance throughout 2009/10 and beyond. Timely and robust action may be needed to ensure continued financial stability and this may involve difficult decisions.

# Organisational assessment

- 30** Comprehensive Area Assessment, or CAA, is a new way of assessing local public services in England. It examines how well councils are working together with other public bodies to meet the needs of the people they serve. It is a joint assessment made by a group of six independent watchdogs and will provide an annual snapshot of quality of life in the area. There is also an organisational assessment for each council within the CAA.
- 31** The organisational assessment brings together the use of resources judgement with your managing performance assessment. Overall, Gedling Borough Council performs well overall. Public satisfaction with services is high and value for money is good. Your priorities match the concerns of local people, such as making the community safer and improving the local environment and these areas are improving. Crime rates and fear of crime has reduced. Public places, streets and parks are well looked after.
- 32** You have a good track record of involving local people in decisions that affect them. People are satisfied with what you are doing to tackle their concerns and 83 per cent of residents say that Gedling is a good place to live. In Nottinghamshire the greatest improvement in the number of residents who feel that people get on well together, has been in Gedling.
- 33** There is a difference between the scores for managing performance and use of resources. I have decided to rate your overall performance as "performing well" overall because most of your services are good and public satisfaction is high. Things that are most important to local people, such as community safety, are improving.

**Table 3 Organisational assessment**

Managing performance	3 out of 4
Use of resources	2 out of 4

- 34** Gedling scores 3 out of 4 for managing performance. Councillors and officers understand the needs of Gedling and their plans and actions are meeting the needs of different groups in the area. You work effectively with a wide range of partners to achieve improvements. Crime and antisocial behaviour have reduced and people feel safer.
- 35** Residents are satisfied with the way that you deal with waste collection and feel able to influence the way the service is delivered. Recycling rates remain high and you are helping households to reduce waste and save energy. Parks and green spaces are clean and well used, streets are clean and fly tipping has reduced.

## Organisational assessment

- 36** You involve residents in important decisions such as the transfer of housing from the Council to another organisation, design of parks, increases in council tax and car parking charges. You talk to community leaders about community relations and how these can be improved. You have worked in partnership with health services to provide sport and exercise facilities for adults and young people at reduced cost. This has encouraged people to exercise and keep well.

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# Closing remarks

- 37** I have discussed and agreed this letter with the Chief Executive and the Head of Corporate Services. I will present this letter at the Audit Sub Committee on 15 December 2009 and will provide copies to all committee members.
- 38** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports I have issued during the year.

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**Table 4**

Report	Date issued
Audit Plan	May 2008
Annual Governance Report	September 2009
Opinion and Certificate	September 2009
Organisational Assessment	December 2009

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- 39** You have taken a positive and constructive approach to my audit and I wish to thank your officers and staff for their support and co-operation during the course of my work.

John R Cornett  
 District Auditor  
 December 2009

# Appendix 1 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

## Managing finances

<b>Theme score</b>	<b>3</b>
Key findings and conclusions	
The Council has good arrangements for managing its finances to deliver value for money.	
<b>KLOE 1.1 (financial planning)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
The Council has adequate arrangements for planning its finances to deliver its strategic priorities and secure sound financial health. The Council integrates its corporate and financial planning processes. The Medium Term Financial Plan is linked to strategic objectives and service plans. The Council has a good record of meeting its financial plans. It has adequate arrangements for consulting with stakeholders.	
<b>KLOE 1.2 (understanding costs and achieving efficiencies)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>

## Appendix 1 – Use of resources key findings and conclusions

Key findings and conclusions	
<p>The Council has good arrangements for understanding its costs and performance and achieving efficiencies in its activities. It has clear information on costs including transaction and unit costs. Benchmarking is carried out and cost and performance information is being used to support decision making. The financial and service planning process is used to identify good levels of efficiency savings.</p> <p>Cost pressures were identified and prompt action taken during 2008/09 to support preparation of a balanced budget for 2009/10 and beyond. The Council operates within budget, performs well within priorities and has a high level of user satisfaction.</p>	
<b>KLOE 1.3 (financial reporting)</b> <b>Score</b> <b>VFM criterion met</b>	<b>3</b> <b>Yes</b>
Key findings and conclusions	
<p>Financial monitoring procedures are good and well they are linked to performance information and support decision making. The Council has a good record of producing quality accounts on time with good working papers. The audited accounts and Annual Audit Letter are made available promptly through the Council's website. External reporting of other key information including environmental impact and diversity is in place. The Audit Sub Committee is well established.</p>	

### Governing the business

<b>Theme score</b>	<b>2</b>
Key findings and conclusions	
<p>Overall the Council has adequate arrangements for governing itself and commissioning services that provide value for money and deliver better outcomes for local people.</p>	
<b>KLOE 2.1 (commissioning and procurement)</b> <b>Score</b> <b>VFM criterion met</b>	<b>3</b> <b>Yes</b>

## Appendix 1 – Use of resources key findings and conclusions

Key findings and conclusions	
<p>The Council has performs well in the commissioning and procuring quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money. It has redesigned services improving efficiency, accessibility for customers.</p> <p>The Council understands the inequalities and diversity of its local communities which is reflected in the sustainable community strategy and corporate plan. A procurement strategy is in place which sets out the intention to procure in order to meet the Council's overall objectives and how to best deliver desired community benefits. Commissioning and procurement is based on an understanding of the market. The Council has a systematic approach to reviewing services.</p>	
<b>KLOE 2.2 (data quality and use of information)</b> <b>Score</b> <b>VFM criterion met</b>	<b>2</b> <b>Yes</b>
Key findings and conclusions	
<p>The Council produces relevant and reliable data and information to support decision making and manage performance.</p> <p>The Council's arrangements for producing performance data are adequate. Performance data is provided in a variety of formats to support senior managers. Key data systems are well controlled and secure. There are corporate targets for managing performance which are aligned with strategic objectives and priorities.</p>	
<b>KLOE 2.3 (good governance)</b> <b>Score</b> <b>VFM criterion met</b>	<b>2</b> <b>Yes</b>
Key findings and conclusions	
<p>The Council has good arrangements for promoting and demonstrating the principles and values of good governance. The Council clearly sets out individual roles and responsibilities in relation to governance. It has adopted codes of conduct for members and staff and is active in promoting high standards of ethical behaviour. The Local Area Agreement partnership arrangements are subject to documented governance arrangements as are other partnerships around shared activities, procurement and consultancy.</p>	
<b>KLOE 2.4 (risk management and internal control)</b> <b>Score</b> <b>VFM criterion met</b>	<b>2</b> <b>Yes</b>

## Appendix 1 – Use of resources key findings and conclusions

Key findings and conclusions
The Council has adequate arrangements to manage its risks and maintain a sound system of internal control. It has good arrangements for risk management. It has a counter fraud and corruption strategy and a whistle-blowing policy. The system of internal control is underpinned by an internal audit function that meets CIPFA standards and is supported by an effective audit committee.

### Managing resources

<b>Theme score</b>	<b>2</b>
Key findings and conclusions	
The Council has adequate arrangements for planning, organising and developing its workforce to support the achievement of its strategic priorities.	
<b>KLOE 3.3 (workforce planning)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
The Council has a generally productive and skilled workforce. There are effective policies and procedures in place to manage underperformance and sickness levels. The Council is currently at Equality Standard level 1. The Human Resources function is cost efficient when compared to other Councils and achieves a good level of service for managers and demonstrable positive outcomes.	

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)