

Annual Audit Letter

High Peak Borough Council

Audit 2008/09

November 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 our 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. It also includes a summary of the Audit Commission's organisational assessment of the Council.

- 1** You can take assurance from the fact that I have been able to give an unqualified opinion on the financial statements. The draft financial statements were changed to correct a few errors but overall the quality of the financial statements was good.
- 2** I have also given an unqualified value for money conclusion as you have adequate processes in place to manage and use your resources to deliver value for money. The next step is for you to prove that these processes are actually helping you deliver priority services to the community.
- 3** Our assessment of you as an organisation is that you perform well. Services are consistent and you invest to improve the quality of life in the area. You are supporting residents and businesses through the recession. You help improve the living standard of all age groups. You take opportunities to save money including an alliance with Staffordshire Moorlands District Council. People like living here and are satisfied with your performance.

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.

Significant issues arising from the audit

- 4 I issued an audit report including an unqualified opinion on the financial statements on 29 September 2009. The financial statements presented to audit contained one material and a few non material errors which were amended.

Material weaknesses in internal control

- 5 I did not identify any significant weaknesses in your internal control arrangements.
- 6 However, we did identify a few issues relating to arrangements with High Peak Community Housing (HPCH), the Council's arms length management organisation, which officers have agreed to address, including:
- the absence of any internal audit work on the rent system during the year; and
 - late timing of the audit opinion on HPCH's accounts which are consolidated into the Council's group accounts which could potentially impact on the Council's opinion.
- 7 I have not provided a comprehensive statement of all weaknesses which may exist in internal control, or all the improvements which may be made. I report only those matters which have come to our attention because of the audit procedures that we have performed.

Accounting practice and financial reporting

- 8 I considered the qualitative aspects of your financial reporting. I reported three issues through my Annual Governance Report relating to the following.
- The format of the statement of accounts to streamline it as far as possible whilst still meeting the Statement of Recommended Practice (SoRP) disclosure requirements and focusing on performance against the original budget.
 - A resolution of the outstanding issue regarding the treatment of that element of any premia/discount that relates to the HRA to ensure that it complies with the HRA specific rules.
 - The surplus/deficit on the collection fund to be apportioned across the precepting authorities on an annual basis.

Value for money and use of resources

I considered how well the Council is managing and using its 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 the Council 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

- 9 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.
- 10 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.
- 11 The Council's use of resources theme scores are shown in Table 1 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

Table 1 Use of resources theme scores

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

-
- 12 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 a deterioration in overall performance as the basis of the assessment has been revised. The overall theme judgement of 2 means that the Council has arrangements which are consistent with established professional practice and guidance, meet statutory requirements and operate effectively. The Council is performing particularly well in its arrangements for managing risk.

- 13 It is also important to remember that the assessment relates to the financial year 2008/09 when the strategic alliance was at an early stage. The full integration of the management team had not taken place and there were a number of interim arrangements within the Council. It is recognised that there has been considerable movement under the strategic alliance since then which will be picked up as part of the 2009/10 assessment. The strategic alliance has been flagged as notable practice.
- 14 In common with many other councils, the challenge in order to move to the next level is to demonstrate how your arrangements are not only effective but are having an impact on outcomes and the delivery of strategic priorities.

Recommendation

- R1** The Council needs to demonstrate how its arrangements result in improved outcomes consistent with the Council's aims and those of its key partners.

VFM conclusion

- 15 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.
- 16 I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial standing

- 17 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.
- 18 As reported in last year's letter the Council is exposed to the potential loss of its £2 million investments in Icelandic Banks. Although there has been some movement on this with the repayment of £160,000 during the year this clearly remains an issue which has a potential impact on the Council's financial standing. The Council responded positively to this by taking the opportunity to review and strengthen treasury management arrangements in light of the lessons learnt.
- 19 In 2008/09, the original budget had envisaged adding £300,000 to general reserves and no use of earmarked reserves. The revised budget and outturn required the use of £500,000 from earmarked reserves, one off grant income of over £400,000 with a small contribution to general fund reserves. However, the need for the change in the financial plans was identified early on in the year and was effectively managed.

Value for money and use of resources

- 20 Delivery of the medium term financial strategy going forward is directly linked through a three year efficiency plan to the effective implementation of the strategic alliance. The most recent quarterly financial and performance review submitted to the October 2009 meeting of the Council Executive projects a small under-spend on the General Fund budget, although there are a number of emerging risks which may have an impact on the position. The report also contains an expectation that the overall efficiency target of £688,680 for 2009/10 will be achieved.
- 21 The impacts of the recession will continue to present a challenge to the Council in the coming financial year. I will continue to monitor the Council's response and actions in this key area.

Managing performance and organisational assessment

The Comprehensive Area Assessment Lead has used my use of resources assessment along with an assessment of how well the Council manages its performance to come to an overall assessment for the Council. This is known as the organisational assessment.

Managing performance

- 22 The Audit Commission also assesses how well the Council manages and improves its services and contributes to wider community outcomes. The assessment considers how successful the Council is in delivering its corporate priorities. The priorities have been drawn from what matters most to local people.
- 23 The Council scores 3 out of 4 for managing its performance (the scoring mechanism is as for Use of Resources).
- 24 The Council invests to improve the quality of life in the area. The refurbished Pavilion Gardens have a café, gallery, shop and tourist information centre. Local people can enjoy the plants and wildlife at the new nature reserve at Ferneydale where the local primary school helped design the logo. The Council helps students find suitable accommodation through its landlord accreditation scheme and helps older people stay living at home through the Handy Van scheme. The 'first contact' scheme ensures that people get the help they need. The benefits service works quickly so that people get their benefit on time.
- 25 People like living in High Peak, eight out of ten are happy living here. Satisfaction with the Council is high. It compares well with other parts of the county. More residents believe that High Peak is a good area to live, where people are healthy, get on well together, and are better served by public bodies than in other parts of Derbyshire.
- 26 The Council has capacity to continue to deliver. Councillors give clear leadership and the Executive is clear about priorities and responsibilities. There is a culture of trust and openness. The strategic alliance with Staffordshire Moorlands District Council increases capacity.
- 27 The Council takes advantage of opportunities to make savings. It saves money by working with other councils. The strategic alliance with Staffordshire Moorlands aims to save £2m in the next three years through stream-lined working. However, it needs to know more about how much services cost so that it can make better comparisons.

Overall organisational assessment

- 28** The Use of Resources and Managing Performance assessments are combined to give an overall organisational assessment judgement for the Council. The Audit Commission has determined that the organisational assessment judgement for the Council is that it performs well overall. This is because the Council is delivering improvements to services and priority areas. We have given more weight to the managing performance assessment. Benefits of the strategic alliance were too recent to be considered in the Use of Resources assessment which only covers the financial year up to 31 March 2009.
- 29** The Council's Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Derbyshire, Beverley Parker.

Closing remarks

- 30 I have discussed and agreed this letter with the Chief Executive. I will present this letter at the Audit and Regulatory Committee on 2 December 2009 as part of the confidential agenda, due to the embargo on the release of the Organisational Assessment, and will subsequently provide copies to all Council members.
- 31 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.

Table 2 Reports

Report	Date issued
Audit plan	May 2008
Annual Governance Report	17 September 2009
Opinion and Certificate	29 September 2009
Organisational Assessment	10 December 2009

Audit fees

- 32 I was able to deliver the audit within the fee agreed at the start of the year as summarised below.

Table 3 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	69,685	69,685	nil
Value for Money and Use of Resources	16,993	16,993	nil
Data Quality	7,186	7,186	nil
Whole of Government Accounts	932	932	
Total	94,796	94,796	nil

Closing remarks

Independence

- 33 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.
- 34 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.

Sue Sunderland
District Auditor
December 2009

Appendix 1 – Use of resources key findings and conclusions

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

Managing finances

Theme score 2	
Key findings and conclusions	
Overall the Council has adequate arrangements in place to manage its finances and deliver value for money.	
KLOE 1.1 (financial planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council has good arrangements in place with a three-year medium term financial strategy which links to the Council's strategic objectives and takes account of national and local priorities.</p> <p>It has taken the opportunity to review and strengthen treasury management arrangements in the light of lessons learned from the collapse of the Icelandic banks.</p> <p>There is evidence of some but limited engagement with stakeholders.</p> <p>The Council has a history of managing its financial performance within budget and 2008/09 was the first of a three year efficiency plan linked to the strategic alliance intended to deliver over £2m in efficiency gains.</p> <p>The Council's dated financial management system has limited reporting flexibility.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.2 (understanding costs and achieving efficiencies)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The Council understands service costs and the main cost drivers but there is a lack of consistency in the way such information is used. There is no systematic process to analyse costs or factors affecting costs across all services.</p> <p>The Council has information on costs and performance which includes budget profile, performance and comparisons; it does not routinely include social or environmental impacts. The Council uses scenario analysis to evaluate options, consider risks, and costs and benefits for major projects. But there are no clear criteria of when to apply this approach or how the analysis should be done. Overall, costs are consistent with performance but it is not clear whether the Council regular reviews costs to ensure that they are commensurate with the range, level and quality of services provided. Local factors such as deprivation or rurality are not taken into account in understanding costs.</p> <p>The Council is using innovative ways to deliver more efficient services through the strategic alliance.</p>	
<p>KLOE 1.3 (financial reporting)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>Generally the Council is getting the basics right in this area but the council's financial management system is dated and has limited reporting flexibility requiring intensive manual input to generate useable management information.</p> <p>The council has a proven track record of close control over expenditure and investigates immediately where projected expenditure exceeds pre-set limits. Reports which are presented to members are comprehensive and structured to provide a logical path to effective decision making.</p> <p>Over the last 2 years the council has produced accounts which meet statutory requirements, but issues between the council and HPCH (ALMO) identified in 2007/08 have continued into 2008/09. The standard of working papers provided is high, with the majority of them being provided in electronic format.</p> <p>The Council's accounts are available to the public in a variety of formats but as already referred to appear unnecessarily long and as a consequence could deter examination by the public. In addition to the annual financial statements, the production of an annual report provides the link between service delivery and service cost to local stakeholders.</p>	

Governing the business

Theme score 2	
Key findings and conclusions	
The Council has adequate arrangements for governing itself and commissioning services that provide value for money and deliver better outcomes for local people.	
KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>Service managers understand the need to consider the diversity of the population in delivering services. The Council uses procurement to improve VfM. But there is no implementation plan for the procurement strategy.</p> <p>The Council is focused on improving the customer experience of services. It uses technology as an enabler – effective IT allows customer services to deal with a high proportion of enquiries at the first point of contact.</p> <p>The Council has some understanding of the market place. Use of preferred suppliers gives better prices for the Council with less time spent ordering. The Council supports local businesses and works with suppliers to encourage them to trade with it.</p> <p>The Council is working with others to improve the efficiency of its procurement. But it is not clear how systematically the different options are assessed, whether sustainability issues are considered or how diversity issues are included in procurement decisions.</p> <p>There are effective arrangements for major externalisation exercises but monitoring arrangements are still developing.</p> <p>The Council aims to improve efficiency through its strategic alliance with Staffordshire Moorlands DC which will include reviews in 19 service areas.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The council produces high quality data and has a well established relationship with its partners underlining the councils focus on robust arrangements however, the latest Internal Audit work identified the need to update procedures and make refinements to comply with guidance on the National Indicators.</p> <p>The council continues to make good use of information in performance management and service improvement.</p> <p>Information is consistently accurate and of good quality, with any identified problems robustly addressed.</p> <p>The council has sound security arrangements for the data systems.</p> <p>Performance information is used to regularly assess achievement against priorities and targets and the council has a robust action planning and monitoring process to address issues identified.</p>	
<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The council has strong governance arrangements, established and developed through its constitution which is systematically reviewed on a rolling basis. Individual member development plans have been established during the year.</p> <p>The council has sound arrangements for consultation and its strategic priorities reflect the demographic and specific needs of the local and visiting tourist community.</p> <p>A robust governance framework is in place and it is actively promoted through the actions and leadership of members and senior officers.</p> <p>The first annual partnership review was reported in September 2008. It addressed six significant partnerships and made recommendations on four of them. A new partnership protocol has been established which seeks to balance the need for proper governance arrangements to be in place whilst ensuring that key partnerships are not constrained</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The council continues to perform well in managing risks and maintaining a sound system of internal control. One of the most notable examples of risk management delivering better projects is the £25m Buxton Crescent development where risks have been identified between all of the public, private sector and third sector partners. Mitigation has been maximised through the engagement of expert legal, financial and engineering advisors and insurance cover taken out where risks continue. This has enabled a more focused approach to the management of the project.</p> <p>The second example is the strategic alliance between High Peak BC and Staffordshire Moorlands DC. Both Councils have signed a formal concordat and set up robust change management arrangements to share senior staff and service delivery across the two authorities. The two councils are in different counties, Government Office areas and LAAs, but through sound risk management a number of significant changes have already taken place to benefit both councils. Through robust risk management insurance premiums have also been reduced.</p> <p>The council has a clear strategy and effective arrangements to manage fraud. There are robust arrangements for the regular review of governance arrangements and the Annual Governance Statement is an open and honest self assessment.</p>	

Appendix 1 – Use of resources key findings and conclusions

Managing resources

Theme score 3	
Key findings and conclusions	
We have only assessed workforce planning as part of this year's use of resources assessment.	
KLOE 3.3 (workforce planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council can demonstrate that it is getting the basics right. It has a workforce strategy that links with the Council's objectives but does this not identify the skills or staff needed to deliver these or identify where skills gaps exist. Service plans do not identify skills or staff needed to deliver the services.</p> <p>Recruitment is carried out by service managers following training which covers equalities and diversity issues.</p> <p>The Council is proactive in developing aspiring managers through bespoke management training. There are effective systems in place to manage staff. There is an understanding that underperforming staff and sickness absences impact on service performance and there are clear processes to deal with these.</p> <p>A joint, integrated management structure is being implemented through the strategic alliance with Staffordshire Moorlands DC through a three-year transformational business programme. The Council is supporting staff during the changes with a monthly news letter and by training managers. It is too early to judge the effectiveness of change management.</p> <p>The organisation is largely representative of the area and managers are trained to implement diversity policies. The Council achieved level 3 of the Local Government Equality Standard and the 'achieving' level against the new equality framework in March 2009.</p> <p>It exploits different ways of working to attract and retain its workforce – the new IT systems have given flexibility to access data from anywhere, which allows improved flexibility of working.</p>	

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Audit Letter 2008/09 Recommendations						
6	R1 The Council needs to demonstrate how its arrangements result in improved outcomes consistent with the Council's aims and those of its key partners.	2	Executive Director and Chief Finance Officer			

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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