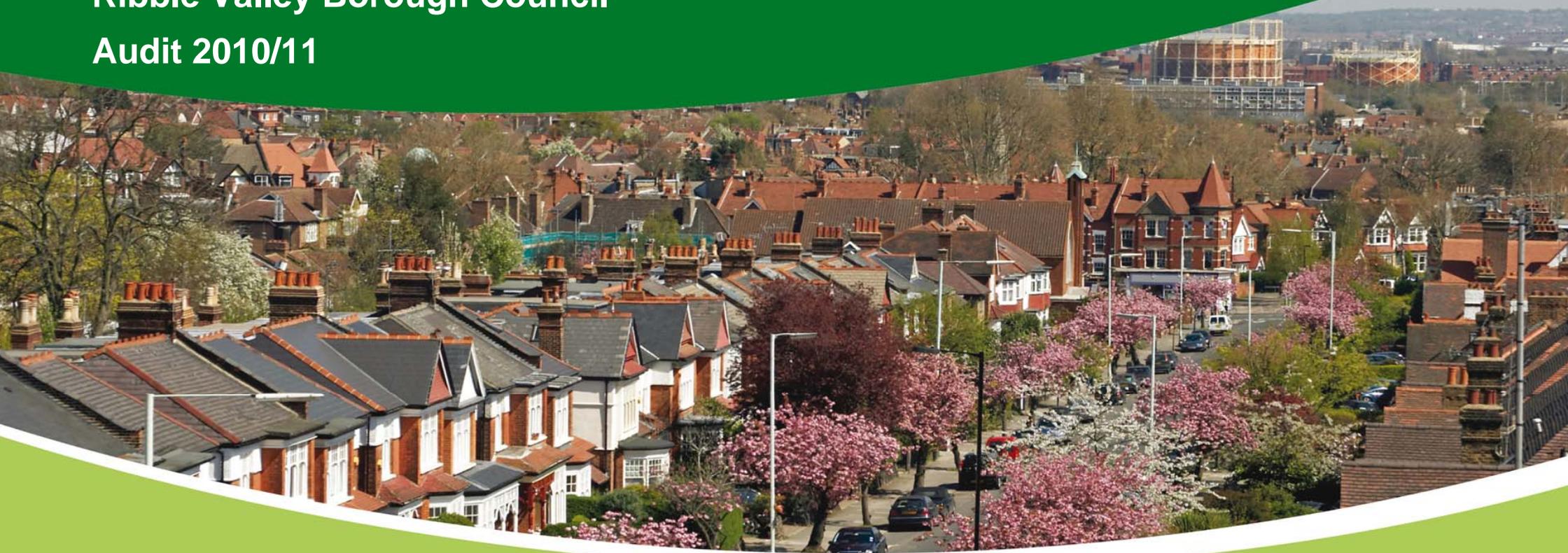


Annual governance report

Ribble Valley Borough Council

Audit 2010/11



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Traffic light explanation

Red  Amber  Green 

Key messages

This report summarises the findings from the 2010/11 audit which is substantially complete. It includes the messages arising from my 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.

	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

- Unqualified audit opinion
- Financial Statements free from material error
- Adequate internal control environment

Value for money

- Adequate arrangement to secure value for money

Before I complete my audit

I confirm to you

My report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.

I ask you to confirm to me

I ask the audit committee to:

- take note of the adjustments to the financial statements which are set out in this report (Appendix 2); and
 - approve the letter of representation, provided alongside this report, on behalf of the Council before I issue my opinion and conclusion.
-

Financial statements

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft report.

Errors in the financial statements

Appendix 2 details the errors we identified in the financial statements which management have chosen to correct. We did not identify any material errors. Some of the errors identified related to numerical adjustments but none of these had any overall effect on the Comprehensive Income and Expenditure Account or on the Balance Sheet. The majority of amendments relate to the notes to the accounts.

Appendix 3 sets out any errors which management have chosen not to adjust. There are two errors of this type which management has chosen not to adjust because they are not material.

Accumulated Absence Provision - the accumulated absence figure of £85,826 is disclosed as a provision in the accounts which was in line with the original guidance issued by CIPFA. The guidance has since been revised and the accumulated absence figure should be shown as a creditor in the accounts. This had no overall effect on the CIES or Balance Sheet and no effect on our opinion on the financial statements.

Housing Benefit overpayments - Housing Benefits overpayments being recovered from future benefits payments are not included in the debtors figure. Debtors within the Balance Sheet and Income within the CIES are understated by £85k.

Recommendation

Recommendation

R1 Ensure the Accumulated Absence figure is disclosed in accordance with the most recent guidance.

R2 Amend the 2011/12 accounts to correctly account for Housing Benefit overpayments as a debtor.

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Key audit risk and our findings

Key audit risk	Finding
<p>1. International Financial Reporting Standards. 2010/11 saw the implementation of international financial reporting standards to local government accounts. This required careful planning to ensure an efficient transition to the new financial reporting requirements.</p>	<p>Audit work carried out on the restated financial statements under IFRS did not identify any significant issues.</p>
<p>2. Financial pressures The Council will continue to face increased financial pressures linked to the economic downturn and public sector funding cuts.</p>	<p>Our work in relation to the value for money conclusion did not identify any significant issues – for further detail see page 11.</p>

Financial statements

Significant weaknesses in internal control

No significant weaknesses in internal control have been identified.

Financial statements

Quality of your financial statements

I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures.

These are the issues I want to raise with you.

Accounting practices, policies, estimates and financial disclosures

Issue	Findings and recommendations
1. Comparative figures in the notes to the Balance Sheet	Guidance required that the notes to the balance sheet include comparative figures for both 31 March 2010 and 1 April 2009 to provide consistency with the Balance Sheet. The 1 April 2009 figures were not included in some of the notes. The accounts were amended to include the required figures.
2. Note 2 to the Collection Fund	Note 2 provides the non-domestic rateable value in respect of business rates as at 31 March 2011. The figure in the accounts of £28,226,025 agrees to the 2005 listing and was used to facilitate comparability to the previous year's figure. There was a revised listing issued in 2010 which showed a rateable value of £35,897,687. Officers amended the accounts to also include the 2010 value in order to provide the latest information and for completeness.

Financial statements

Letter of representation

Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. These representations are set out within the letter of representation which is on the same agenda as this report.

Value for money

I am required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money 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 conclusion on each of the two areas is set out below.

I intend to issue an unqualified conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for money criteria and our findings

Criterion	Findings
<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>The leadership team understands the significant financial management challenges and risks facing the Council and is taking appropriate action to secure a stable financial position. The Director of Resources is a key member of the leadership team and as such is involved in business decisions, and leads the promotion and delivery of good financial management.</p> <p>The audit committee provides effective challenge across the organisation and assurance on the arrangements for risk management, maintaining effective internal control, and reporting on financial and other performance.</p> <p>Medium-term financial planning and annual budgeting reflects the council's strategic objectives and priorities for the year, and over the longer term. The Council has reviewed its Medium Term Financial Plan (MTFP) in light of the current economic climate.</p> <p>The Council operates within a level of reserves and balances (including earmarked reserves</p>

Criterion

Findings

and the general fund balance), approved by members, and appropriate to the strategic, operational and financial risks it faces.

Financial monitoring and forecasting is relevant, timely and accruals based, helping to ensure a clear link between the budget, in-year forecasts and actual year-end position. The Council has a good recent record of operating within its budget with no significant overspends. Management takes timely action to address any budget pressures, for example by taking corrective action to manage unfavourable variances.

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.

The Council has the capacity to deliver the scale of the spending reductions required of it. It is reviewing its strategic priorities and the cost-effectiveness of its activities. It is taking a rational view of its priorities and of the short- medium- and longer-term opportunities for savings.

There are mechanisms in place to obtain input from or consultation with front-line staff and local residents to identify local priorities for spending.

The Council has access to good quality and timely comparative information on costs and performance, which is used to evaluate options and potential savings.

The Council uses benchmarking against similar councils and performance information to support planning and decision making. It understands how local factors impinge on costs and how rurality affects its communities. The Council's costs are commensurate with the service provided given the rurality and sparse population of the area.

The Council has good monitoring arrangements to ensure planned efficiencies are achieved, and to understand the impact on services and on performance.

Appendix 1 – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIBBLE VALLEY BOROUGH COUNCIL

Opinion on the Authority accounting statements

I have audited the accounting statements of Ribble Valley Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Ribble Valley Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Ribble Valley Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Ribble Valley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Ribble Valley Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Clive Portman
District Auditor

Audit Commission
2nd Floor
Aspinall House
Aspinall Close
Middlebrook
Bolton

BL6 6QQ.

Date:

Appendix 2 – Amendments to the draft financial statements

I identified the following misstatements during my audit and management have adjusted the financial statements. I bring them to your attention to aid you in fulfilling your governance responsibilities.

		Comprehensive income and expenditure statement		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Cash Flow Statement	The investing activities figure in the cash flow statement did not agree to the figure in note 22 because of a transposition error. There is no overall effect on the accounts.	None	None	None	None
Note 9 – Property, Plant & Equipment	Vehicles disposals were incorrectly shown in note 9. The note showed the items as revalued to £22k then disposed at £22k. However the vehicles were held at zero net book value in the asset register so the entries in the note should be zero. The gain on the vehicles has been accounted for correctly so there is no	None	None	None	None

Comprehensive income and expenditure statement

Balance sheet

		Comprehensive income and expenditure statement		Balance sheet	
	overall effect on the accounts.				
Note 9 – Property, Plant & Equipment	Gains from the revaluation required as part of the reclassification of an asset as an asset held for sale should be accounted for before that reclassification. The £112k revaluation gain had been included in note 16 rather than note 9. The reclassification in note 9 should be £126k rather than £24k. This has no net effect elsewhere in the accounts.	None	None	None	None
Housing Benefit Debtor	The housing benefit amount of £176k owing to the council in relation to the benefits claim was included in creditors as a negative creditor. It should have been included within debtors. Therefore the creditors balance and debtors balances were both understated by £176k. There is no effect on bottom line of CIES.	None	None	None	None
Note 7 – Movement in Reserves Statement	The comparative figures for 2009/10 were totalled incorrectly. An item of £233k had been excluded from the total. The MIRS itself was correct. This issue only affected the note.	None	None	None	None
Cash Flow Statement	£41k proceeds from disposal adjustment was incorrectly included in 'Adjustments to Net Surplus or Deficit for Non-Cash Movements'. It	None	None	None	None

Comprehensive income and expenditure statement

Balance sheet

should have been included in the 'Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities'. There is no overall effect on the cash flow statement.

Capital Investment notes	There was a difference of £20k between the capital investment of £1,247k in note 31 and the additions of £1,227k to fixed assets in note 9. The difference related to capital expenditure on investment properties which should be shown separately in note 31. The notes were amended to correct this. There is no overall effect on the accounts.	None	None	None	None
Comprehensive Income and Expenditure Statement	Income of £8.5k was allocated to Highways and Transport Services in error. It should have been included in Cultural, Environmental, regulatory and Planning Services. The CIES has been amended to correct this. There is no overall effect on the CIES.	None	None	None	None
Cash Flow Statement	There was a misclassification of amounts relating to council tax within the cash flow statement. For 2010/11 £72k was incorrectly included within	None	None	None	None

'Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements'. This should have been included within 'Financing Activities'. The cash flow statement has been amended to correct this. The corresponding 2009/10 figures have also been amended for an amount of £32k. The corresponding note 23 has been amended to reflect the changes. This has no overall effect on the financial statements.

Appendix 3 – Unadjusted misstatements to the financial statements

I identified the following misstatements during my audit, including uncorrected misstatements from earlier years, which management has chosen not to adjust the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities and ask you to correct these misstatements.

If you decide not to amend, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

Unadjusted misstatement	Nature of required adjustment	Comprehensive income and expenditure statement		Balance sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Accumulated Absence Provision	The accumulated absence figure of £85,826 is disclosed as a provision in the accounts which was in line with the original guidance issued by CIPFA. The guidance has since been revised and the accumulated absence figure should be shown as a creditor in the accounts.	None	None	None	None

Comprehensive income and expenditure statement

Balance sheet

Management have chosen not to adjust the figure because the amount is not material. There is no effect on the Comprehensive Income and Expenditure Statement. There is no overall effect on the Balance Sheet.

Debtors	Housing Benefits overpayments being recovered from future benefits payments are not included in the debtors figure. Debtors are understated by £85k. The amount is not material and officers have chosen not to amend the accounts.	None	85	85	None
We are required to report to you any uncorrected mis-statements from prior periods and their effect on this year's accounts.	a) During our audit of the 2009/10 accounts we identified that an amount of £50,000 in relation to equal pay claims was disclosed as a contingent liability rather than a provision, with an earmarked reserve in place in relation to the liability. There is no effect on this year's accounts as any provision made would have been reversed out on settlement of the claims.	None	None	None	None
	b) Transactions regarding a compulsory purchase order were treated as REFCUS rather than a fixed asset addition and subsequent disposal. There is no net effect on	None	5	None	None

the Balance Sheet.

Appendix 4 – Glossary

Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

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.

Materiality and significance

The Auditing Practices Board (APB) defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

‘Significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

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.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;

- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

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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0844 798 7070

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- any director/member or officer in their individual capacity; or
- any third party.

