

Annual Audit and Inspection Letter

Stafford Borough Council

Audit 2007/08

March 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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
 - any third party.
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Key messages

Performance

- 1 The Council is making steady progress with improving its priority services. More household waste is being recycled and street cleaning has improved. The Council has focused on promoting local prosperity, with some evidence of good outcomes. It is also actively working in partnership to regenerate Stafford town centre, and it is aware of the significant challenge to regeneration plans presented by the economic downturn. The Council aspires to be a high performing authority, but overall performance, as measured by national performance indicators, is well below that of other councils, and approaches to diversity and equality are underdeveloped. Capacity has been strengthened in some areas, for example in project management, however the Council faces significant financial pressures over the medium term.
- 2 Our inspection which looked at progress with improving safer, stronger and greener communities found that the borough is making good progress in reducing levels of crime. The inspection made a number of recommendations for improvement. In particular, the community safety partnership needs to improve its performance management arrangements, to ensure that Local Area Agreement targets are successfully delivered.

Economic Downturn

- 3 The Council is facing significant budget pressures in 2008/09 and onwards. For 2008/09 the Council is forecasting a significant deficit of £1.8 million, for which it is planning to utilise its reserves to minimise the impact on council tax payers. The deficit is largely due to a shortfall in income caused primarily by the impact of the credit crunch and the recession, such as a reduction in investment income.
- 4 In terms of financial management and the Medium Term Financial Strategy (MTFS) the recently published financial plan also shows that significant budget gaps need to be bridged for 2009/10, 2010/11 and 2011/12. These have been put together robustly and a balanced revenue budget is to be set for 2009/10 which incorporates a significant level of planned savings. The current approach to the Council MTFS and budgetary control is considered adequate but the challenge for the Council to deliver these and robustly update and work with its MTFS remains

Accounts

- 5 In September 2008 an unqualified opinion was issued on the Council's 2007/08 accounting statements. The financial statements were of a similar standard as last year. Working papers were adequate but did not always clearly identify an audit trail or evidence to support some figures in the statements. We also identified several errors in the financial statements. Whilst the number of matters identified was not considered to be unusual in an audit of this size many may have been identified earlier had clear working papers been prepared at the same time as the draft accounts were being prepared.

Value for Money Conclusion

- 6 The appointed auditor concluded that the Council has adequate arrangement in place to secure economy, efficiency and effectiveness in its use of resources. Although costs are not significantly higher than other councils providing similar services, investments have not always resulted in improved performance in all areas. We found that there is greater awareness of value for money (VFM) across the Council with managers and staff assigned VFM targets, however there is no specific ownership and responsibility for the efficiency agenda.

Use of Resources

- 7 Overall the Council was assessed as having demonstrated 'good' performance in its use of resources. There were improvements in financial reporting, financial management, financial standing and internal control which resulted in an overall improved score. However, for 2008/09 the Key Lines of Enquiry (KLOE) are more broadly based than previously and embrace wider resource issues, such as people and workforce planning and the use of natural resources. The KLOE also focus more on value for money achievements, outputs and outcomes rather than on processes. The Council will need to ensure that it can demonstrate better and sustainable outcomes for local people if it is to achieve the same score in 2008/09.

Action needed by the Council

- 8 In light of the significant financial challenges, ensure that robust arrangements are in place to deliver planned savings. Ensure that financial plans remain sustainable over the medium term.
- 9 The Council needs to strengthen its arrangements for challenging and improving performance. It also needs to further develop its approaches to diversity and equality. These improvements will help the Council to focus more effectively on meeting its priority objectives and the needs of local people.
- 10 The Council should ensure that arrangements are in place to deliver, at a borough level, the targets that have been agreed as part of the Local Area Agreement.
- 11 The new approach to Use of Resources under Comprehensive Area Assessment embraces wider resource issues, such as people and workforce planning and the use of natural resources. The approach also focuses more on value for money achievements and outcomes rather than on processes. The Council will need to ensure that initiatives to address priorities can be reviewed for effectiveness in achieving the desired outcomes by the creation of, and monitoring against, appropriate performance indicators.

Purpose, responsibilities and scope

- 12** This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 13** We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 14** This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. (In addition the Council is planning to publish it on its website.)
- 15** Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, he reviews and reports on:
- the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 16** This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 17** We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Stafford Borough Council performing?

18 Stafford Borough Council was assessed as Fair in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Percentage figures may not add up to 100 per cent due to roundings

Source: Audit Commission

The improvement since last year - our Direction of Travel report

19 Overall, the Council is making steady progress with delivering its priorities, but there are some significant challenges to sustaining this improvement. Good progress is being made with making communities cleaner, greener and safer. Crime levels are reducing and recycling is improving. The Council has focused on promoting local prosperity, with some evidence of good outcomes. It is also actively working in partnership to regenerate Stafford town centre, and it is aware of the significant challenge to regeneration plans presented by the economic downturn. The Council recently won a Beacon award for 'raising economic prosperity through partnership'. It is working well with partners to invest in community health and well being, although there is limited evidence of outcomes at this stage. The Council aspires to be a high performing authority, but overall performance, as measured by national performance indicators, is well below that of other councils. Approaches to diversity and equality are underdeveloped. The Council faces significant financial pressures over the medium term, including significant reduction in its income due to the recession. Some steps have been taken to reduce costs and strengthen capacity.

What evidence is there of the Council improving outcomes?

20 The Council is investing in its priority area of Prosperity for All, with some evidence of outcomes for local people. The growth of new businesses in the borough over recent years has been recognised with the award of significant additional grants from the government and a Beacon award from the Improvement and Development Agency, although the current economic downturn presents significant challenges to the Council's future regeneration plans. The Council is actively working with partners to make some adjustments to its regeneration plans, in light of the recession. Work has proceeded on developing the borough's Local Development Framework, and the Council has successfully bid to become a 'Growth Point' for new housing. The Council is in the best performing category for paying its invoices quickly. Vulnerable residents have been helped to claim an additional £900,000 in benefits to which they are entitled. The Council has focused on improving the speed of processing major planning applications, and it has achieved an improvement in performance here. However, performance on processing other planning applications was in the worst performing category nationally in 2007/08 and has continued to decline.

21 Good progress is being made with the Council's priority for Cleaner, Greener, Safer Communities. Overall levels of crime reduced by 19 per cent in the three years to March 2008, and some progress is being made with reducing incidents of domestic violence. Thirty three per cent of household waste was recycled or composted in 2007/08. This was below average performance compared with other councils, but following the introduction of a new waste collection contract in 2008 the Council is now seeing a significant increase in levels of recycling. Street cleaning improved in 2007/08, although performance is still below the national average.

- 22** The Council and its partners are investing productively in community Health and Well Being, although there is limited evidence of outcomes at this stage. For example, the Signpost Centre on the Highfield estate provides residents with access to a range of support and health services, and there are plans to improve access to leisure facilities for vulnerable people at risk of ill health. The borough already has relatively high levels of participation by residents in sport and active recreation. 650 households have received support to reduce their fuel poverty over the last 12 months.
- 23** Some progress is being made with the Council's priority to Lead and Deliver for the Community. The Council has worked productively with partners on the borough's Community Safety Partnership to tackle levels of crime. Some staff from the PCT are co-located with Council staff, and this has led to close working on a range of health improvement schemes. The Council is demonstrating good community leadership by working closely with the County Council, Staffordshire University, and others, to take forward regeneration plans for Stafford town. However, one of the Council's objectives under this priority area is to be seen as a high performing authority, and the Council still has some way to go here. The number of Best Value Performance Indicators (BVPIs) that improved in 2007/08, at 62 per cent, was just above the district council average. However, the proportion of BVPIs in the best performing category was only 21 per cent, compared to the district council average of 33 per cent. The Council has more poorly performing indicators than most other councils in Staffordshire.
- 24** The Council is improving access to services, but more remains to be done. Benefits claims are being processed more quickly, but the Council was still in the worst performing category for speed of processing new claims in 2007/08. More recent data indicates some further improvement in benefits performance, but it is too soon to say if this trend will be sustained. Benefits and council tax enquiries are now being dealt with by the Council's Contact Centre. All leisure centres have 'Inclusive Fitness' accreditation, which indicates that facilities are accessible for disabled people. However, the Council has been slow to ensure that all of its services meet the needs of the diverse range of potential users. At March 2008 the Council was still only at level one of the local government Equality Standard. It has identified which policies and plans need to be assessed for their equality impacts, and there is a clear commitment at senior level to strengthen approaches to equality and diversity.
- 25** The Council is delivering adequate value for money, and it has made some progress here over the last 12 months. For example, the Council exceeded its three year efficiency savings target, and it has reduced costs by streamlining its senior management structure. It reduced levels of sickness absence in 2007/08 to just over eight days, which put it in the best performing category compared with other councils. And the new leisure centre in Stafford has been built at no capital cost to the Council

How is Stafford Borough Council performing?

How much progress is being made to implement improvement plans to sustain improvement?

- 26** The Council has strengthened its performance management arrangements, with the introduction of a new quarterly reporting format called In Pursuit of Success. This has a clear, user-friendly format which reports progress on corporate plan objectives and key performance indicators. It is reported alongside a summary report on the revenue and capital budgets. Councillors are finding the new format very helpful and they are using it to focus on areas of underperformance. There is scope to improve these arrangements further, in particular by focusing corporate plan objectives more consistently on outcomes for the borough, rather than on underlying projects and policies. This would give councillors and senior managers a clearer picture of how well the Council's priorities for local people are being delivered.
- 27** The Council has improved its capacity in some areas, although financial pressures present a significant challenge to the Council. Project management is now more robust, with the establishment of the Modernising Services Board and Development Board. The Local Strategic Partnership has been restructured, and now has an executive group (the Local Delivery Board) supported by task and finish groups. This new structure is designed to help the partnership focus more effectively on delivery. The Council, however, faces significant financial pressures. It is forecasting a revenue budget deficit at financial year end of £1.8 million, largely due to a reduction in income from areas such as car parking. This is in addition to further savings that will be required to deliver a balanced budget in 2009/10. The Council has been actively reviewing budget plans for the year ahead, and it is also exploring options for further shared services, for example the possibility of sharing building control and IT services with Cannock Chase District Council. However, the challenges are acute and the Council recognises that it needs to ensure it has robust and sustainable financial plans for the medium term.

Service inspections

Delivering Safer, Stronger and Greener Communities

- 28** In 2008 the Audit Commission carried out an inspection across all the Staffordshire councils, looking at how well the councils and their partners are working together to deliver shared objectives for safer, stronger and greener communities (SSGC). The inspection focused on progress against the SSGC targets in the 2007/08 Local Area Agreement (LAA) for Staffordshire. The inspection report was published in December 2008.
- 29** Overall, the inspection found that partners made good progress in delivering their 2007/08 SSGC targets, and that the prospects for future improvement are promising. Crime levels across the county reduced by 21 per cent, and partners are working well to consult with local people about the issues that concern them most.

- 30** Specifically for Stafford Borough, the inspection found that overall crime levels in the borough reduced by 19 per cent over the three year period to March 2008, exceeding the target of 15 per cent. Burglaries and vehicle theft were reduced significantly – by 45 per cent and 40 per cent respectively. The Borough Council and its partners also exceeded their target for reducing incidents of anti social behaviour. These achievements have been underpinned by effective partnership working through the borough's Community Safety Partnership.
- 31** The report identified a number of areas for improvement. In particular, many of the LAA targets are not being disaggregated down to a local, district level. Targets are being set at a countywide level, but partners are not then identifying what those targets mean for each district. This means that partners at borough level lack the performance management information they need to ensure that they contribute appropriately to meeting LAA targets. The report also identified that, at both borough and countywide levels, the community safety partnerships need to improve the way in which they challenge and evaluate value for money.

The audit of the accounts and value for money

- 32** Your appointed auditor issued his Annual Governance Report (ISA 260 report) in September 2008 where he set out his main findings on the Council's 2007/08 accounts. In this letter we have summarised the outcomes of the audit and provided an update including the submission process for the Whole of Government Accounts.

Audit of the accounts

Opinion and certificate

- 33** In September 2008 an unqualified opinion was issued on the Council's 2007/08 accounting statements. This report incorporated a conclusion on your value for money arrangements, drawing upon our use of resources work outlined below, to say that these arrangements are adequate.

Summary of issues arising

- 34** The financial statements were of a similar standard as last year. Working papers were adequate but did not always clearly identify an audit trail or evidence to support some figures in the statements. We also identified several errors in the financial statements. The most significant related to fixed assets, the incorrect inclusion of internal recharges and compliance with Statement of Recommended Practice (SORP).
- 35** Whilst the number of matters identified is not considered to be unusual in an audit of this size many may have been identified earlier had clear working papers been prepared at the same time as the draft accounts were being prepared. This would also have enabled more robust quality assurance processes. In order to help make the audit process more transparent and to assist the Council in its learning and development we ran a joint training session to review working paper requirements in February 2009.

Whole of Government Accounts

- 36** Whole of Government Accounts (WGA) are 'commercial-style' accounts that cover the whole of the public sector and include some 1,300 separate bodies. Each of these bodies, including the Council, is required to submit a consolidation pack. This is based on, but separate from, your statutory accounts.
- 37** We submitted the Authority's audited WGA pack to the Department for Communities and Local Government by the October 2008 deadline.

The governance framework

- 38** A new development for 2007/08 was the requirement to prepare an Annual Governance Statement (AGS). This superseded the previous requirement to prepare a Statement on Internal Control (SIC).
- 39** The SIC considered issues of financial control – such as how the financial systems are managed and how the accounts are prepared – and the wider mechanisms which help ensure that the Council achieves its objectives, such as performance management. The requirements of the AGS are broader still and specify that the statement also needs to describe and evaluate governance processes – in other words, the role and effectiveness of members in governing the Council.
- 40** Authorities therefore need to have explicitly identified the components of their governance framework and to have a mechanism to assess how effective each part is. We reviewed the Council's arrangements for producing the AGS and concluded that these were adequate. We also reviewed the AGS itself and confirmed that the statement was consistent with our knowledge of the Council.

Questions and objections from electors

- 41** The appointed auditor has a duty under section 8 of the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to their attention in order for it to be brought the attention of the public. In addition there are other responsibilities under the 1998 Act, including investigating questions or objections on the accounts received from the Council's electors. We have received no such questions or objections on the accounts.

Use of Resources

- 42** The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 43** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as outlined in Table 1.

Table 1 Use of Resources Judgements

Element	2007 Assessment	2008 Assessment
Financial reporting	1 out of 4	2 out of 4
Financial management	2 out of 4	3 out of 4
Financial standing	2 out of 4	3 out of 4
Internal control	2 out of 4	3 out of 4
Value for money	2 out of 4	2 out of 4
Overall assessment of the Audit Commission	2 out of 4	3 out of 4

Note: 1 – lowest, 4 = highest

Financial Reporting

- 44** Overall the quality of the accounts as presented was an improvement over 2006/07, with a reduction in the number and size of errors. Working papers were adequate and of a similar standard to the previous year but did not always clearly identify an audit trail or evidence to support some figures in the statements.
- 45** The Council has produced an annual report but needs to be able to demonstrate how it has considered the views of a range of stakeholders in its preparation.

Financial Management

- 46** The Council has arrangement in place to ensure its MTFs, budget and capital programme are reasonably based. The MTFs takes account of local and national priorities and is updated annually. Cash flow forecasting now regularly takes place to inform investment decisions. The Council has procedures in place to undertake Equality Impact Assessments on its key strategies in order to understand the impact they will have on the whole community. To improve the Council should:
- ensure the financial plan needs to clearly demonstrate how priorities identified in the corporate plan are addressed financially; and
 - undertake Equality Impact Assessments.
- 47** Good arrangements are in place to manage performance against budget. In particular Leisure services expenditure, an area where overspends have occurred in the past, has been tightly controlled this year although income shortfalls remain. The Council should take forward the improvements made around partnership arrangements and ensure that the financial performance of significant partnerships is regularly reviewed, linked to outputs, and the results shared with partners and acted upon.

- 48** The Council is facing significant budget pressures in 2008/09 and onwards. In terms of financial management and the MTFS the recently published financial plan shows significant budget gaps need to be bridged for 2009/10, 2010/11 and 2011/12. These have been put together robustly and a balanced revenue budget is to be set for 2009/10 which incorporates planned savings. The current approach to the Council MTFS and budgetary control is considered adequate but the challenge for the Council to deliver these and robustly update and work with its MTFS remains.
- 49** The Council has an asset management plan, which is currently being updated for the period 2008 to 2014. The current plan is detailed and includes actions to improve corporate asset use. The updated plan will also consider how assets can be developed to meet future service delivery needs.

Financial Standing

- 50** The Council reported net operating expenditure for the year of £16.6 million, this resulted in an use of the £0.6 million of the Councils reserves. The Council had planned to use £0.5 million in its revised budget. The Council has a policy on the level of general revenue balances to retain a minimum level of £1 million for contingencies and emergencies and as at 31 March 2008 the general fund balance was £1.53 million.
- 51** However for 2008/09 the Council is forecasting a significant deficit of £1.8 million, for which it is planning to utilise its reserves to minimise the impact on council tax payers. The deficit is largely due to a shortfall in income caused primarily be the impact of the credit crunch and the recession, such as reduction in investment income.
- 52** In October 2008, a number of Icelandic banks went into administration. A large number of councils and other public bodies were directly affected by the collapse of the Icelandic institutions. The Council did not have any investments with Icelandic banks at the time and has proactively reviewed its Treasury Management policies in order to ensure this area of activity continues to be kept under close control and to avoid exposure to unacceptable levels of risk.
- 53** Targets for income collection and recovery of arrears have been set, although these targets were not achieved in 2007/08. There is also little monitoring information available to evaluate the effectiveness of recovery actions or their associated costs. As the economic situation worsens they will become increasingly important areas for the Council to address.

Internal Control

- 54** Overall we found that the Council had good internal control arrangements, particularly in risk management and promoting probity and propriety in the conduct of business. A new risk management policy and set of procedures have been approved by members in year. All corporate and operational risks, including those for significant partnerships, are assessed for likelihood and impact, mitigating controls assessed and responsibilities allocated. The Audit Committee has the delegated responsibility for risk management and reports on progress are received by this committee on a regular basis. Codes of conduct for staff and members are in place and registers of interest, gifts and hospitality are periodically reviewed. The Standards Committee has been set up in accordance with requirements.

The audit of the accounts and value for money

55 There are adequate arrangements in place to ensure a sound system of internal control is maintained, although a minor internal control failure was identified within council tax during the year. An Audit Committee is in place which reviews the Annual Governance Statement. Although there is a crisis management plan and business continuity plans for all mission critical activities, the planned programme of testing needs to be carried out during 2008/09.

Value for Money

56 Overall we found that the Council met the minimum requirement for securing value for money (VFM). Although costs are not significantly higher than other councils providing similar services, investments have not always resulted in improved performance in all areas. The council is ranked 258 out of 388 for the percentage of Performance Indicators improved in the last three years. Only 49 per cent of indicators improved over the last three years, compared to the average for district authorities of 57 per cent. More indicators improved over the last year (62 per cent compared to a district average of 58 per cent), however the proportion of indicators in the best performing category was well below average (21 per cent, compared to a district average of 33 per cent).

57 There are some processes in place for reviewing and improving VFM, however, the Council is not able to easily quantify the savings made from all projects although it has demonstrated it is exceeding its 7.5 per cent efficiency targets. We found that there is greater awareness of VFM across the Council and managers and staff are assigned VFM targets, however there is no specific ownership and responsibility for the efficiency agenda.

Data Quality

58 Auditors' work on data quality and performance information supports the Commission's reliance on performance indicators (PI) in its service assessments for comprehensive performance assessment (CPA).

59 Our work on data quality is complemented by the Audit Commission's paper, *'Improving information to support decision making: standards for better quality data'*. This paper sets out standards, for adoption on a voluntary basis, to support improvement in data quality. The expected impact of the Audit Commission's work on data quality is that it will drive improvement in the quality of local government performance information, leading to greater confidence in the supporting data on which performance assessments are based.

60 Overall we found that, the Council's corporate arrangements for data quality are consistently above minimum requirements. However we noted a number of areas for improvement, these are:

- include reference to partnership working in the data quality strategy;
- actively promote data quality through the Performance Management Group representatives;
- encourage all departments to input data onto the performance information system to minimise the need for data cleansing; and
- roll out the data quality training to relevant staff in all departments.

Looking ahead

- 61** The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 62** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 63** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.

Inspections

- 64** The Audit Commission will be undertaking an inspection of the Council's strategic housing function at the end of March 2009. An inspection of the Council's Benefits service is scheduled for later in 2009/10.

Use of Resources

- 65** The use of resources assessment considers how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. For 2008/09 it will be structured into three themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people.
- 66** The KLOE are more broadly based than previously and embrace wider resource issues. The KLOE also focus more on value for money achievements, outputs and outcomes rather than on processes, and are more strategic and less detailed.

International Financial Reporting Standards (IFRS)

- 67** Over the next few years, local authorities will face a range of challenges to their accounts production processes. In particular the introduction of International Financial Reporting Standards (IFRS). All local authorities are required to produce IFRS-compliant accounts from 2010/11, so 1 April 2009 is the date of transition to in order to prepare comparative information.

- 68** Based on our experience of assisting the NHS with their IFRS conversion, the Council should, by the date of transition, have:
- established a project team and developed a project plan – this should include wider representation than finance such as estates;
 - reviewed which standards will have the biggest impact and which will be the most complex;
 - completed the information-gathering stage -for example, gathering the information on all leased assets in order to review whether they are finance or operating leases under IFRS; and
 - engage the audit team with the process.
- 69** Based on our experience of working with our AIBs, the most time consuming exercise is reviewing all current leases to determine the appropriate accounting treatment under the new requirements. This is particularly challenging if documentation for long-standing leases cannot be located. Depending on the Council's circumstances, other standards may also require a similar exercise to be undertaken.
- 70** Given the breadth of the changes which transition to IFRS will bring, the Council should ensure that sufficient capacity is available to manage the process. It should also regularly appraise the Audit Committee of progress.

Closing remarks

- 71** This letter has been discussed and agreed with the Chief Executive and Deputy Chief Executive. A copy of the letter will be presented at the June 2009 Audit Committee. Copies need to be provided to all Council members.
- 72** Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Supporting People Inspection Report	October 2008
Annual audit and inspection letter	March 2009

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- 73** The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

- 74** This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

John Cotterill
Comprehensive Area Assessment Lead

March 2009

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.

Copies of this report

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