

Annual Governance Report

Worthing Borough Council

Audit 2008/09

September 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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Members of the Governance and Audit Committee

2008/09 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

A draft of the report was discussed and agreed with the Chief Executive and Executive Head of Financial Services on 18 September 2009 and has been updated since as issues have been resolved.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4);
- agree your response to the proposed action plan (Appendix 6); and
- consider the matters raised the report before the financial statements are authorised for issue by the Section 151 Officer.

Yours faithfully

Helen Thompson
District Auditor

23 September 2009

Key messages

This report summarises the findings from the 2008/09 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 how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	4
Financial statements free from error	No	7
Adequate internal control environment	Yes	9
Use of resources	Results	Page
Adequate arrangements to secure value for money	Yes	13

Audit opinion

- 1 The audit of the financial statements is now complete. I plan to issue an unqualified opinion on the financial statements.

Financial statements

- 2 The Council's accounts largely comply with statutory and regulatory requirements and relevant accounting and reporting standards. A relatively small number of errors and uncertainties have been identified through our audit work, although some of these did have a material impact. These mostly relate to capital entries in the financial statements and have largely been caused by changes to accounting and external financial reporting requirements. These do have a potential impact on the Council's ability to comply with the requirements of International Financial Reporting Standards in the future.
- 3 The Council demonstrates a strong corporate commitment and culture to producing good quality working papers. Working papers have been provided to us in paper and electronic form. They are of a high standard and help to enable the audit to be delivered in an efficient manner. There is a detailed closedown plan for production of the financial statements which is well managed and adequately resourced.

Key messages

Use of resources

- 4 I have assessed how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people. My assessment considers how well the Council performs across three areas:
- managing finances;
 - governing the business; and
 - managing resources.
- 5 The Council is performing adequately across all of these areas. Full details of my judgements are set out in Appendix 5.
- 6 Based on our work in this area I have concluded that the Council has adequate arrangements in place to secure value for money. I therefore plan to issue an unqualified VFM conclusion.

Audit Fees

- 7 I reported my best estimate of the audit fee needed to complete the opinion audit to the Governance and Audit Committee on 25 June in the 2008/09 Supplementary Opinion Audit Plan. Having now completed the audit, I remain satisfied that the agreed fee of £78,100 was adequate to discharge my responsibilities in this area.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It 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.

8 I ask the Governance and Audit Committee to:

- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- take note of the VFM Conclusion and Use of Resources score;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4);
- agree your response to the proposed action plan (Appendix 6); and
- consider the matters raised the report before the financial statements are authorised for issue by the Section 151 Officer.

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.

Opinion on the financial statements

- 9** I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Errors in the financial statements

- 10** We have identified one error in relation to the specific audit risks that we reported to you in the Supplementary Opinion Audit Plan. The risks we identified, and our audit findings in respect of the identified risks, are set out in Table 1 of this report (page 10). Adjusted amendments to the financial statements are set out in Appendix 2. Non-trivial uncertainties in the financial statements are set out in Appendix 3. We are satisfied that unadjusted errors identified are not material individually or in aggregate.
- 11** During the course of the audit we identified some capital accounting errors in the financial statements, which are set out in more detail over the following paragraphs 12 to 14.

- 12** The valuation of the Council's land and buildings is likely to have been adversely affected by the economic downturn. An impairment review to establish the extent to which the general fall in market prices had impacted on the value of its fixed assets was commissioned by Finance, but this was not undertaken by the Council's valuer on all assets. The reduction in value of Council assets was therefore not accounted for in the financial statements. The Council revalues a proportion of its asset base each year, such that all of its asset base is considered over a five year period. We have considered the detail of the Council's cyclical programme of valuation over the last five years and publicly available indices showing trends in asset values over that period. These suggest that assets carried at market value in the Balance Sheet have decreased by approximately 28 per cent since the valuation shown in the Balance Sheet as at the end of 2007/08. An adjustment to the carrying value of assets held at a market value in the Balance Sheet of £20.6m and charge to the Income and Expenditure Account (I&E Account) of £18.5m has been made to account for the impairment of those assets caused by the economic downturn. Note that the additional charge to I&E is reversed to the Capital Adjustment Account via the Statement of Movement in the General Fund Balance and therefore has no impact on the Council's balances and reserves. Where there is a clear indication of the possibility of impairment of asset values, for example the economic downturn, the Council's valuer should ensure that all of its assets are reviewed annually to assess and account appropriately for impairments that have occurred. See recommendation 1.
- 13** During the course of our work we noted that the split of total property asset values between buildings and land was based on a notional percentage, 80 per cent buildings and 20 per cent land, rather than an actual valuation from a professionally qualified valuer. This generated an uncertainty relating to both the valuation of fixed assets in the Balance Sheet and the accuracy of the annual depreciation charge to the I&E Account in respect of buildings. In response to this the Council's valuer has assessed the actual split for fifteen assets which are either high value or cover significant asset categories within the Council's land and buildings. This sample forms approximately 66 per cent of the net book value of the Council's total land and buildings. The Council has used the sample to determine an estimate of the true land and buildings split. This work has further enabled the Council to calculate that depreciation for the period is understated by approximately £207,000, noting that the depreciation charge does not impact on the level of the Council's balances and reserves. Based on the work, the maximum possible over statement of asset values in the Balance Sheet is approximately £450,000. The financial statements have not been amended in respect of these findings. These differences constitute non-trivial uncertainties in the financial statements and have been reported as such in Appendix 4. In the future the Council should ensure that an actual split between land and buildings values are determined as part of asset revaluations by its qualified valuer. See recommendation 2.

Financial statements

- 14** The note in the Council's financial statements showing the movement in fixed asset values during the period initially showed movements in net book values when movements in the gross book value of assets are required to be disclosed by the Local Government Statement of Recommended Practice (SORP). This was because the Council's fixed asset register did not have the required information on accumulated depreciation to be able to ascertain movements in gross book value. The capital accountant has reviewed asset data in the asset register over the last four accounting periods to calculate accumulated depreciation since assets were last revalued and arrive at a gross book value for fixed assets. This work will assist the Council in complying with the requirements of International Financial Reporting Standards from 2009/10 onwards. The disclosure in the financial statements has been amended to correctly show the movement in the gross book value of assets.
- 15** The Statement of Total Movement in the General Fund Balance initially disclosed a £178,000 transfer to earmarked revenue reserves during the period. The actual transfer to earmarked revenue reserves, as shown in Note 26 of the financial statements, was £70,000. The difference of £108,000 represented capital expenditure in the year charged to the General Fund balance. Disclosure on the face of the Statement of Total Movement in General Fund Balance has been amended to correct this.
- 16** The Collection Fund initially disclosed the £501,000 contribution received from precepting authorities in relation to the previous year's deficit as a negative amount within expenditure. This should properly have been disclosed as Collection Fund income. Disclosure on the face of the Collection Fund has been amended to correct this.
- 17** During 2008/09 changes were made to the Pensions SORP to ensure compliance with the requirements of FRS 25 and 26. These amendments are also reflected in the Local Government SORP that governs the production of the Council's financial statements. The main change relates to the valuation of pension fund investments from mid-market price to fair value, usually bid price. Adjustments made to the financial statements to reflect this change in accounting policy, with a total value of £250,000, were initially disclosed as an adjustment to prior period comparative information. However, the required adjustments are not sufficiently large to fundamentally affect the view of a user of the statements. The adjustments therefore do not meet the requirements for a prior period adjustment having regard to the requirements of FRS3 and should have been made during the current financial year. The financial statements have been amended in respect of this finding. Reference should be made to the requirements of extant financial reporting standards when determining the treatment of items in the financial statements.
- 18** We identified that the bad debt provision calculated in respect of National Non-Domestic Rates (NNDR) owed to the Council at the end of the year was understated by approximately £272,000 in the Collection Fund and Balance Sheet. This was due to errors in the level of arrears used as the basis for the calculation. The bad debt provision has been re-calculated based on the correct arrears data and the financial statements have been amended to account for the correct bad debt provision.
- 19** We identified a number of minor errors in the Cash Flow Statement as part of our audit work. The financial statements have been amended to correct these errors.

Recommendations

- R1** Where there is clear indication of possible impairment in the value of fixed assets, for example the current economic downturn, ensure that a full impairment review is undertaken annually by the Council's professionally qualified valuer that covers all of the Council's fixed assets.
- R2** Ensure that an actual asset by asset split for land and buildings is determined as part of the Council's rolling programme of asset revaluations and that this is used as the basis for the annual depreciation charge in the financial statements.

Material weaknesses in internal control

- 20** I have concluded that the internal financial control environment at the Council remains relatively robust and that there are no material weaknesses. As part of our work we identified one systematic failure in the operation of a control which is set out in more detail in Table 1.
- 21** As part of our review of year end control accounts reconciliations we noted that neither the payroll nor national non-domestic rate (NNDR) control accounts reconciliations for the period had been authorised by a Finance officer separate to the reconciliation preparer. We also noted that the NNDR control account reconciliation for the period had not been properly completed and contained an unreconciled difference between the NNDR system and general ledger of £1.7 million. The NNDR control account reconciliation has been re-produced as a result of this finding and now fully reconciles the NNDR system to the general ledger. See recommendation 3.

Letter of representation

- 22** Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation I seek to obtain from you.

Key areas of judgement and audit risk

- 23** In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
<p>Our testing has shown that the control environment within the Council's material financial systems has remained relatively strong in 2008/09.</p> <p>We have, however, noted weaknesses in the operation of the control of invoice request form authorisation within the Council's debtors system.</p> <p>Of 14 invoice request forms tested as part of our work, 2 had not been retained to evidence proper authorisation and 2 had been retained but were not properly authorised. Our testing identified a systematic failure in the operation of the control in that a small number of service departments were not routinely retained authorised forms. See recommendation 4.</p>	<p>Due to the weakness in internal control, we needed to undertake substantive testing of the debtors balance appearing in the financial statements to gain assurance for the audit opinion. The substantive testing undertaken did not identify any errors.</p>
<p>Our work on the Council's 2007/08 financial statements showed that the majority of Council buildings had been attributed a useful life of between 20 and 25 years. The current approach taken to the valuation and allocation of useful lives to buildings by the Council's surveyor is simply to confirm that buildings have a useful life of greater than 20 years. An actual useful life for buildings is not determined. Generally buildings are assumed to have a useful life of approximately 60 years.</p> <p>The result of this is that the useful life of buildings held on the Council's fixed asset register is likely to be understated. This has the effect of over-stating annual depreciation charges to revenue.</p>	<p>The Council's valuer has attributed 60-year useful lives to all Council buildings during the period.</p>
<p>The Council has made claims for VAT that has been potentially overpaid in relation to cultural services (£900,000) and sport (£1.5m).</p>	<p>This issue is considered in more detail in paragraphs 25 and 28.</p>

Issue or risk	Finding
<p>The total value of 2008/09 Income and Expenditure arising from shared working with Adur District Council has increased significantly from the previous period. This has resulted from the joint management structure for the Councils' which has been in place for the whole of 2008/09.</p> <p>For financial reporting purposes Adur & Worthing Joint Committee (AWJC) is a joint arrangement that is not an entity. This requires all AWJC income, expenditure, assets, liabilities and cash-flows to be consolidated into the Council's accounts.</p>	<p>Although the consolidation of AWJC income, expenditure, assets liabilities and cash flows in the Council's main financial statements was largely undertaken correctly, we identified that the Council's balance sheet completely excluded AWJC debtors and creditors. A proportion of AWJC debtors and creditors, commensurate with the Council's contribution to the funding of AWJC, should have been included in the Council's main Balance Sheet. The financial statements have been amended in respect of this finding. In the future the Council should ensure that an appropriate proportion of AWJC debtors and creditors are consolidated into its main balance sheet. See recommendation 5.</p>

Accounting practice and financial reporting

- 24** I consider the qualitative aspects of your financial reporting. There is one issue I wish to draw to your attention.
- 25** The Council disclosed three contingent assets in its financial statements as follows.
- The proposed sale of land and property at Sea Place and Eirene Road.
 - The proposed sale of the Grafton site.
 - Claims for repayment of over-paid VAT, based on a recent House of Lords decision, relating to cultural services and sport.
- 26** The exchange of contracts for the sale of land and property at Sea Place and Eirene Road took place before the end of the 2008/09 financial year. The inflow of economic benefits to the Council were virtually certain having regard to the requirements of Financial Reporting Standard (FRS) 12. However, the land and property was recognised as part of fixed assets in the Council's balance sheet and was actually owned by the Council at the year end as the sale had not yet completed. Therefore, the disclosure of the proposed sale as a contingent asset was not required. The disclosure has been removed from the financial statements as part of the audit.
- 27** The proposed sale of the Grafton site has not progressed to conclusion during 2009/10 and appears unlikely to do so. The inflow of economic benefits to the Council is therefore not probable and having regard to the requirements of FRS 12 this should not be disclosed as a contingent asset. The disclosure has been removed from the financial statements as part of the audit.

Financial statements

28 The VAT reclaim relating to cultural services was settled in June 2009 to a value of approximately £810,000, including interest. The retrospective settlement of this claim provides additional evidence of conditions that existed at 31 March 2009 and, having regard to the requirements of FRS 21, should therefore be accounted for as an adjusting post balance sheet event. The statements have been amended in respect of this finding. The VAT reclaim relating to sport has yet to be determined, but based on a House of Lords ruling and the settled claim relating to cultural services, there is a probable future inflow of economic benefits to the Council. This item is therefore correctly disclosed as a contingent asset in the financial statements.

Recommendations

R3 Year end control account reconciliations for material financial systems should be subject to documented review by an officer separate to the reconciliation preparer.

R4 Ensure that invoice request forms used within the debtors systems are:

- properly authorised prior to invoices being raised; and
- retained for all departments to evidence operation of the control.

R5 Ensure that AWJC debtors and creditors are properly consolidated into the Council's main financial statements.

Use of resources

I am required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

I am also required to conclude 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

- 29** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 30** 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.
- 31** The Council's use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 5.

Table 2 Use of resources theme scores

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

32 The Council **manages its finances** adequately.

- It has set and approved a balanced and realistic annual budget. Challenging efficiency targets are set and the level of cashable efficiencies achieved has exceeded targets.
- The links between financial planning and strategic priorities and objectives are not clear. However, a Capital Strategy is in place and a systematic approach to prioritisation of capital projects has resulted in some good outcomes.

Use of resources

- Budget consultation with local people takes place but without significant impact on budget decisions. Some equality impact assessments have been undertaken, but the rate of progress in this area needs to be accelerated.
- There is a corporate focus on improving value for money, particularly through innovative partnership working with Adur District Council. This is key to managing spending within increasingly limited available resources while limiting negative impacts on core services.
- There is a good balance between cost and performance, but there is a mixed approach to understanding costs. For instance, only limited use is made of external benchmarking.
- There is a good track record of managing spending within budget. Budget monitoring and forecasting information is reliable, relevant, and understandable, and monitoring has delivered corrective action. By reporting budget performance alongside performance and risk monitoring, councillors have a fuller picture of the VFM delivered by the Council.
- External financial reporting arrangements at the Council are sound.

33 The Council **governs its business** adequately.

- There is a broadly effective method of commissioning. This is undermined, however, by the lack of a clear vision of intended outcomes and there is no clear link between identified needs and commissioning. There is also no current procurement strategy.
- The partnership with Adur is a strength and supports innovative working and a focus on reducing costs and delivering VFM. Reviews of all services are now being undertaken and this process has already identified savings of £314,000 in 2008/09.
- There is an adequate approach to understanding the supply market and considering options for procurement. There is use of a variety of collaborative and framework agreements.
- Relevant and reliable information is produced to support decision making and manage performance. The management of data quality is effective.
- The principles and values of good governance are demonstrated by the Council's constitution and other arrangements.
- Partnership agreements are used to promote good governance and shared purpose in partnerships, including the Adur Worthing Partnership.
- Risk management is effective. There is a well used register and a clear corporate commitment to managing risk, though there remains scope to improve the function of the newly established audit committee. The internal financial control environment at the Council is well developed and operating effectively.

34 The Council manages its workforce resource adequately.

- The skills and productivity of staff are managed effectively. Effective people management policies are in place and a single pay structure has been established for joint services.
- Training needs of staff are addressed in annual reviews and there are low levels of sickness absence.
- The corporate approach to workforce planning is progressing positively. Action is being taken to define a corporate workforce development strategy - a draft is in place and actions are being taken to address workforce planning issues.
- There is no evidence of joint working with other local partners to share or develop workforce resources.
- There is a continuing challenge to ensure that the organisation's workforce needs in the medium term are considered strategically and effectively address future challenges and succession planning.
- There has been a good level of engagement with staff on organisational change.
- Progress on developing a corporate approach to equalities and diversity has been slow, though some structures are now in place to encourage development.

Recommendations	
R6	Make clearer links between financial and corporate planning to ensure that financial decisions are more clearly informed by agreed priorities.
R7	Consider the role and function of budget consultation in the current review of community engagement and ensure that any future budget consultation is meaningful.
R8	Consider more ways to review and analyse service costs, for instance by benchmarking against other councils.
R9	Make clearer links between commissioning and needs assessment; for example, develop understanding of the inequalities and diversity of its local communities and their needs for services over the longer term in order to shape those services over time.
R10	Review and update the Council's procurement strategy.
R11	Accelerate progress in the corporate management of diversity and equalities. Ensure that its principles are applied comprehensively to services. Make more effective use of equality impact assessments in order to ensure that the impact of spending decisions on diverse communities are understood and taken into account.
R12	Continue to develop the role and function of the Governance and Audit Committee to improve the level of impact it has in providing effective challenge across the organisation.

Value for money conclusion

- 35** I assess 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 6.
- 36** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

Independence

37 The Code of Audit Practice and the Audit Practices Board's (APB) Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.

38 We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.

Our arrangements to ensure independence and objectivity

39 We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 3.

Table 3 Arrangements to ensure independence and objectivity

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none"> • do not hold a financial interest in any of our audit clients; • may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and • may not enter into business relationships with UK audit clients or their affiliates. <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> • the general requirement to carry out work independently and objectively; • safeguarding against potential conflicts of interest; • acceptance of additional (non-audit) work; • rotation of key staff; • other links with audited bodies; • secondments; • membership of audited bodies; • employment by audited bodies; • political activity; and • gifts and hospitality.
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>

Independence

Area	Arrangements
Confidentiality	All staff are required to sign an annual undertaking of confidentiality as a condition of employment.

Appendix 1 – Independent auditor’s report to Members of Worthing Borough Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Worthing Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the 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 Worthing Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls.

Appendix 1 – Independent auditor’s report to Members of Worthing Borough Council

Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information. I am not required to consider, nor have I considered, information regarding future projections included within the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of its accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on 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 regularly review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. 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.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Worthing Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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

Helen Thompson, District Auditor, Audit Commission, Suite 2, Ground Floor,
Bicentennial Building, Southern Gate, Chichester, West Sussex, PO19 8EZ

23 September 2009.

Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 4

Item of account	Description of error
<p>Impairment of fixed assets</p>	<p>No impairment of Council fixed assets had been made to account for the impact of the economic downturn as at 31 March 2009. This resulted in over-statement of the value of Fixed Assets in the Balance Sheet, over-statement of the Revaluation Reserve in the Balance Sheet and under-statement of the impairment charge to the Income and Expenditure Account (I&E).</p> <p>Impact on Balance Sheet: Decrease in the value of Fixed Assets of £20.6 million. Decrease in the value of the Revaluation Reserve of £2.1 million.</p> <p>Impact on I&E: Increase in the Net Cost of Services of £18.5 million. Note that the additional charge to I&E is reversed to the Capital Adjustment Account via the Statement of Movement in the General Fund Balance and therefore has no impact on the Council's balances and reserves.</p>
<p>Debtors and creditors</p>	<p>The Balance Sheet completely excluded Adur and Worthing Joint Committee (AWJC) current assets and liabilities. A proportion of AWJC current assets and liabilities, commensurate with the Council's contribution to total AWJC funding, should be consolidated into the Balance Sheet. Matching main Council debtors and creditors should be netted down on consolidation.</p> <p>Impact on the Balance Sheet: Decrease in debtors of £1.06 million. Increase in stock of £18,000. Increase in cash of £828,000. Net decrease in creditors of £226,000.</p> <p>Impact on I&E: None.</p>

Appendix 2 – Adjusted amendments to the accounts

Item of account	Description of error
National Non-Domestic Rate (NNDR) bad debt provision	<p>The NNDR bad debt provision was over-stated by £272,000.</p> <p>Impact on the Balance Sheet: No net impact. Decrease in NNDR bad debt provision of £272,000, decrease of amount owed by central government departments of £272,000.</p> <p>Impact on Collection Fund: No net impact. Increase in income collectable from business ratepayers of £272,000, increase in payment to the National Pool of £272,000.</p>
Collection Fund income and expenditure.	<p>The contribution to precepting authorities in relation to the prior year Collection Fund surplus was disclosed as negative expenditure rather than income on the face of the Collection Fund.</p> <p>Impact on the Collection Fund: No net impact. Transfer of £501,000 on the face of the Collection Fund, from a negative amount shown as part of expenditure, to income.</p>
Cash Flow Statement	<p>The Cash Flow Statement was not completely consistent with I&E and the Balance Sheet.</p> <p>Impact on the Cash Flow Statement: Interest received increased by £50,000, Net decrease in liquid resources increased by £50,000.</p>

Appendix 3 – Non-trivial uncertainties in the accounts

Table 5 Non-trivial uncertainties in the financial statements

Item of account	Description of uncertainty
<p>The valuation of land and buildings assets in the Balance Sheet.</p> <p>The accuracy of the depreciation charge to the Income and Expenditure Account (I&E).</p>	<p>The split of total property asset values in the financial statements between land and buildings was based on a notional percentage, 80 per cent buildings and 20 per cent land. This generates an uncertainty relating to both the valuation of fixed assets in the Balance Sheet and the annual depreciation charge to I&E in respect of buildings.</p> <p>In response to this the Council’s valuer has assessed the actual split of land and buildings values for fifteen assets which are either of a high value or cover significant asset categories within the Council’s total land and buildings portfolio. The results of this sample reviewed by the valuer have been used to determine an estimate of the true land and buildings split.</p> <p>This has enabled the Council to estimate that the depreciation charge for the period is understated by approximately £207,000. Based on the work done the maximum overstatement of asset values in the Balance Sheet is approximately £450,000. No amendments have been made to the statements in respect of these estimates and they constitute non-trivial uncertainties in relation to the valuation of fixed assets in the Balance Sheet and the accuracy of the depreciation charge to the Income and Expenditure Account.</p> <p>Note that the uncertainty in relation to the annual depreciation charge has no impact on the level of the Council’s level of balances and reserves.</p>

Appendix 4 – Draft letter of representation

Helen Thompson

Appointed Auditor
Audit Commission
Suite 2, Ground Floor
Bicentennial Building
Southern Gate
Chichester
West Sussex, PO19 8EZ

Worthing Borough Council - Audit for the year ended 31st March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Worthing Borough Council the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31st March 2009. All representations cover the Authority's accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Authority and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed in the attached schedule are not material to the financial statements, either individually or in aggregate.

Appendix 4 – Draft letter of representation

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Authority.

The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For Financial Instruments fair value assumption, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events require/do not require adjustment to the fair value measurement.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. We have no other lines of credit arrangements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information provided regarding the identification of related parties generally and specifically for the following councillors for whom related party transaction returns were not received for the year ended 31 March 2009:

Sheila Player

Diane Jones

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Appendix 4 – Draft letter of representation

Post balance sheet events

Since the date of approval of the financial statements by the Authority, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of Worthing Borough Council

I confirm that this letter has been discussed and agreed by the Governance and Audit Committee on 23rd September 2009

Signed on behalf of Worthing Borough Council:

Name:

Sarah Gobey

Executive Head of Financial Services

Date

PLEASE DATE SAME AS OPINION DATE

Name:

Councillor Paul High

Chair of Governance and Audit Committee

Date

Appendix 5 – Use of resources key findings and conclusions

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

Table 6 **Managing finances**

THEME SCORE: 2	
KLOE 1.1 (financial planning)	
Score	2
VFM criterion met	Yes
KLOE 1.1 Findings and Conclusions	
<p>The Council has set and approved a comprehensive, balanced and realistic annual budget, supported by achievable savings plans. Challenging efficiency targets are set. The level of cashable efficiencies actually delivered has exceeded targets over the past two years. Partnership working with Adur District Council will help ensure that recurrent savings and efficiencies identified in the Medium Term Financial Plan (MTFP) are sustainable in the longer term. This is a key step in enabling both Councils to manage spending within increasingly limited available resources without having a detrimental impact on core services. Generally the key assumptions underpinning both the annual budget and MTFP are prudent and realistic.</p> <p>The absence of an up to date Corporate Plan for 2008/09 makes it difficult for the Council to demonstrate that medium term financial planning is clearly linked to the Council's strategic priorities and objectives, although interim high level corporate planning arrangements do exist and reflect partnership working arrangements. It is also not clear how the MTFP covers the financial implications of other strategies and plans, for example human resources, information technology, service charges, capital investment and asset management.</p>	

Appendix 5 – Use of resources key findings and conclusions

The MTFP incorporates a policy on the level and nature of reserves and balances that should be held of between 6-8 per cent. To date the Council has been successful in maintaining balances at the target level. The rationale for the target level of balances was reported to members as part of budget setting papers.

A Capital Strategy is in place. A systematic approach exists to determine the prioritisation of capital projects to help ensure the most effective use of available capital resources and the Council can point to some examples of this leading to better linkages between capital spending, corporate priorities and improved value for money (VFM).

The Council has consulted with the public as part of the budget setting process for 2008/09. It is not, however, clear that the results of this consultation has influenced the budget set, noting that responses received were limited. A small number of equality impact assessments have been produced but the Council has been unable to demonstrate how it has considered the results of the assessments in its decision making, particularly in significant financial decisions taken as part of the MTFP.

KLOE 1.2 (understanding costs and achieving efficiencies)

Score

3

VFM criterion met

Yes

KLOE 1.2 Findings and Conclusions

The Council has a clear corporate focus on the improvement of the VFM it currently delivers. Innovative partnership working with Adur District Council, under Adur and Worthing Joint Committee, will help ensure that recurrent savings and efficiencies identified in the MTFP are sustainable in the longer term. This is a key step in enabling both Councils to manage spending within increasingly limited available resources without having a detrimental impact on core services. Efficiency targets for 2008/09 comfortably exceed mandated three per cent cashable efficiency savings. This is supported by National Indicator 179 outturn which places the Council in the third quartile of districts nationally, but more importantly the outturn achieved as a percentage of target places the Council in the top quartile of districts nationally. We have undertaken data quality testing which shows that arrangements to monitor the achievement of efficiencies are well developed with data produced subjected to continuous scrutiny and challenge.

The implementation of a joint management structure for Adur and Worthing Councils in 2008/09 has also secured significant recurrent savings for both bodies. Partnership working with Adur, with the primary focus of improving value for money, is innovative and clearly differentiates the Council from others. The Council is currently achieving a good balance between costs and performance. Costs are not significantly higher than its nearest neighbour group and the Council's overall performance, based on 2007/08 data, is good.

The Council also seeks to invest to save to improve efficiency. Consideration is given to capital proposals which produce revenue savings that exceed the cost of borrowing by at least ten per cent over the life of the investment. Examples of projects are energy efficiency schemes whereby the reduction in energy costs may be sufficient to repay the borrowing costs.

Achievement of efficiency targets is monitored and the risk of non-achievement evaluated on a traffic light basis. If targets are not achieved, the reasons are analysed. This quarterly monitoring formally reports the position to members via the Overview and Scrutiny Performance Panel. Real-time monitoring of efficiencies is available to all officers via the on-line Covalent system, allowing corrective action to be taken at the earliest opportunity.

The Council is able to point to discrete examples of efficiencies leading to the delivery of service improvements that the public would recognise. A joint refuse collection and recycling service has been established in partnership with Adur District Council. As part of this 100,000 new wheeled bins have been provided to the public through efficiency savings brought about by the rationalisation of vehicles and crews.

High level business cases have been prepared for all services as part of joint working with Adur. Business cases have identified further savings, but not all of these are yet considered to be sufficiently robust to be built into financial projections. A further programme of service reviews is planned. This will look at other ways of delivering joint services, using business process re-engineering techniques to change processes and structures.

The Council has a mixed approach to understanding its costs which may mean that it misses opportunities to achieve further savings. There is evidence of whole life costing being used to consider options for replacing the swimming pool and for the refuse and recycling fleet, but only limited use is made of external benchmarking to gain a better understanding of comparative costs. Consideration of costs and performance is undertaken by senior officers and members, though external information in the Audit Commission VFM profile does not inform this. There is, however, a broad understanding of cost drivers and this is supported by detailed consideration by senior officers and members, for example as part of Cabinet 'away-days'.

Appendix 5 – Use of resources key findings and conclusions

KLOE 1.3 (financial reporting)	
Score	2
VFM criterion met	Yes
KLOE 1.3 Findings and Conclusions	
<p>The Council has a good track record of managing spending within budget. Budget reports are produced quarterly and reviewed by the Corporate Management Team, Overview and Scrutiny Committee and Cabinet. Budget monitoring and forecasting information is reliable, relevant, and understandable. There is evidence that budget monitoring does lead to action to address any variances or other issues. The reporting of performance against budget could be more timely. The timing of reports is determined by the democratic timetable and consequently at some points in the year there is up to a two month lag in reporting financial information to members. However, there are mechanisms in place to ensure that significant issues are drawn to members' attention urgently on an ad-hoc basis when needed. The Council identifies both current variations in financial performance and forecast financial outturn for the year, which is on a real-time basis. This allows members and management to either take corrective action to manage unfavourable variances, or apply any favourable variances to corporate priorities.</p> <p>The Council reports revenue and capital budget monitors, performance monitoring, and risk monitoring reports to members contemporaneously. This allows linkages to be made between financial and service performance and risk and allows members and senior management to monitor a more complete picture of the value for money being delivered by the Council. The absence of an up to date corporate plan in 2008/09 makes it more difficult to link the reporting of financial performance, service performance and risk to the level of success in delivering agreed strategic priorities. Interim high level corporate priorities that reflect partnership working are, however, in place and considered in financial and performance monitoring.</p> <p>The most significant partnership the Council is involved in is its joint working with Adur District Council under Adur and Worthing Joint Committee. As in 2007/08, the financial performance of the shared refuse collection and recycling service has been monitored throughout 2008/09 and reported to the Joint Strategic Committee. Routine bespoke performance and risk management reporting is also produced for the partnership.</p>	

The Council's accounts largely comply with statutory requirements, statutory and regulatory timetables and relevant accounting and reporting standards. The 2008/09 accounts were approved on the 25 June 2009 by the Governance and Audit Committee. A relatively small number of errors and uncertainties have been identified through our audit work, although some of these did have a material impact. The errors identified mostly relate to capital entries in the financial statements and have largely been caused by changes to accounting and external financial reporting requirements in these areas. These issues have a potential impact on the Council's ability to comply with the requirements of International Financial Reporting Standards in the future. The Council also demonstrates a strong corporate commitment and culture to producing good quality working papers. Working papers have been provided to us in paper and electronic form. They are of a high standard and help to enable the audit to be delivered in an efficient manner. There is a detailed closedown plan for production of the financial statements which is well managed and adequately resourced.

The most recent published accounts and annual audit letter are available to the public and were posted on the Council's website on a timely basis. The accounts show financial information in a user friendly, accessible way. They contain an explanatory foreword written in plain English, and use pie charts and graphs to present information in a more understandable way. There is also a glossary of technical terms which interprets and explains the terminology used.

Appendix 5 – Use of resources key findings and conclusions

Table 7 Governing the business

THEME SCORE: 2	
KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
KLOE 2.1 Findings and Conclusions	
<p>The Council commissions and procures services and supplies effectively to deliver sustainable outcomes and value for money. Commissioning and procurement is not driven by a clear vision of intended outcomes. The Council had a corporate plan in place in 2008/09, dating from 2006, though there were no up to date service plans in use. The Council's procurement strategy sets some broad principles but is out of date and does not set out objectives or action plans for improvement. The Adur Worthing Partnership (AWP) governance agreement gives clarity to the joint commissioning by emphasising a number of broad shared priorities. This is positive, since the AWP is the most significant priority in commissioning. It does not, however, emphasise the local needs it aims to address. An understanding of needs does not drive commissioning.</p> <p>Stakeholders are adequately involved in commissioning. The Council has involved partners and local people in commissioning services. The AWP ensures a strong partnership engagement, particularly in focusing on reducing costs and improving services. The high level business cases for service reviews assess impact on users. In addition, service users have been consulted on specific service provision arrangements such as on methods of recycling and frequency of collection.</p> <p>The Council has an adequate track record of using ICT to improve VFM and service access. The website is good and enables easy access to online payments and other services. The Council has invested in a contact centre with streamlined back office support. It has also invested in staff to support the consideration of e-business in service reviews and has committed to a future strategy for service delivery emphasising modernisation of services, improved access and greater technology. There is much action in review though few clear examples as yet of projects implemented which benefit local people.</p>	

The Council has some understanding of the supply which it uses in its procurement activity. It builds its understanding by information sharing through Sussex procurement fora. There is some good engagement with small and medium sized enterprises and packaging of contracts has encouraged their bids, for instance in letting separate contracts for public conveniences and building cleaning. The Council does not report on the success of its procurement activity and the impact of supplier knowledge in achieving VFM in procurement and commissioning is not clear.

The Council adequately considers different options for procuring services and supplies. The innovations in the AWP mean that the Council is routinely innovative in its consideration of supply arrangements and the establishment of joint working. However, the high level business cases focus on joining services together but do not assess the range of supply options available – this is likely to follow in the service reviews. The Council uses a variety of framework contracts for areas such as energy, stationery, vehicles and wheelie bins. The range of options considered will enable greater VFM to be achieved.

The Council reviews services effectively. It has a clear programme to review all services in the AWP. High level business cases have been completed for all services setting out how services can be brought together and achieve savings and efficiency targets of ten percent over three years. This process has already identified savings quantified as £314,000 in 2008/09. The service review process has a strong focus on transformation, service re-design and VFM, and the Council has invested in corporate capacity to support this. In addition, the Council is considering some strategic issues in relation to information communications technology provision, accommodation, telephony and electronic document and records management systems which will have implications for VFM and access to services. All these things are evidence of strong work in progress which is delivering savings and prospects for better future outcomes.

Appendix 5 – Use of resources key findings and conclusions

KLOE 2.2 (data quality and use of information)	
Score	2
VFM criterion met	Yes
KLOE 2.2 Findings and Conclusions	
<p>The Council effectively produces relevant and reliable data to support decision making and manage performance.</p> <p>The Council manages data quality effectively. A performance management framework is in place and responsibilities for ensuring data quality are clearly defined. This is supported by the use of Covalent, a system which allows data to be consistently specified and easily and effectively shared. System users have recently been trained in data quality issues. Data quality is enhanced by specific procedures and a programme of reviews by Internal Audit. A data quality assurance checklist is used by senior managers to sign off data and the importance of data quality is clearly emphasised to councillors and officers. We have carried out spot check testing of performance indicators and based on these, we conclude that systems for production are robust and indicators are based on reliable data and calculated in accordance with specified definitions. We have also found a commendable focus on the robust measurement of efficiencies achieved. This is particularly important given the emphasis on this in partnership working with Adur District Council.</p> <p>The Council uses information effectively to support decision making. Senior management routinely and actively use data supporting performance information to plan and allocate resources. Members have access to data on Covalent and through the performance reporting framework. The Council takes a proactive approach to the reporting of key performance issues on a monthly basis – a brief performance update is prepared for the Partnership Management Board each month. The use of Covalent ensures ownership and accountability for the quality of data and performance achievement. Performance monitoring is enhanced by the inclusion of risk measures. Monitoring information has been weakened in 2008/09, however, by the absence of clearly set out corporate plans and priorities. Interim reporting measures of achievement have been wide ranging and often project based, though national performance indicators have continued to be monitored and reported on. These weaknesses have now been addressed in 2009/10.</p>	

Security arrangements for the Council’s performance information system are robust. A business continuity plan is in place and has been tested. The Council works with partners to ensure that shared data is of appropriate specification and quality. A West Sussex performance group has been established to look at shared data, such as National Indicators, Local Area Agreement (LAA) targets and data quality issues. An internal LAA Working Group has been established, meeting every four to six weeks to run through progress with LAA targets and data. However, the Council does not have standards or protocols for shared data or data supplied by third parties, and the Council has not been able to demonstrate that it monitors standards for the quality of data it shares or relies on internally or externally.

KLOE 2.3 (good governance)

Score

2

VFM criterion met

Yes

KLOE 2.3 Findings and Conclusions

The Council effectively demonstrates the principles and values of good governance.

The principles and values of good governance are applied appropriately in constitutional arrangements. Part 3 of the Council’s Constitution details the responsibility for functions and part 4 of the constitution contains the scheme of delegation to officers. A combination of these clearly describe the individual roles and responsibilities of the leader of the council, the executive and executive members individually, other council members, the scrutiny function and the chief executive and senior officers. The constitution is updated on a regular basis to reflect significant changes such as the partnership working with Adur District Council, changes to legislation or changes to the structure to the organisation. This ensures ongoing clarity of purpose.

The Council adequately expresses a purpose and vision which drive the business. The Council had a corporate plan in 2008/09 dated from 2006. In addition, the Adur Worthing Partnership (AWP) arrangements set out a clear statement of purpose and a focus on efficiency and value for money.

The Council has adopted an appropriate ethical framework. It has codes of conduct for its members and staff with all council members signing up to the code of conduct on election to the Council.

Appendix 5 – Use of resources key findings and conclusions

The Council uses partnership agreements to promote good governance and shared purpose in its partnerships. There are several examples of this, for example the AWP agreement has a statement of purpose supported by detailed arrangements for working in partnership, including formal joint committee arrangements. The community safety partnership has a short outline of principles of delivery for all partners. These arrangements make productive working more likely.

KLOE 2.4 (risk management and internal control)

Score

2

VFM criterion met

Yes

KLOE 2.4 Findings and Conclusions

The Council has a sound system of internal control. Our testing to support the 2008/09 financial statements opinion shows there are well designed and operated controls within the Council's main financial systems such as the general ledger, housing and council tax benefit, payroll, accounts receivable and accounts payable. Standing orders, standing financial instructions and the scheme of delegation are up to date and take into account the joint working with Adur District Council.

The Council regularly reviews and updates a register of its corporate and service business risks. This assesses the risks for likelihood and impact, and assigns named individuals to lead on actions identified to mitigate each risk. However, the lack of an up to date Corporate Plan for 2008/09 makes it more difficult to explicitly link risks to the Council's agreed strategic priorities. Risks are actively monitored through the on-line Covalent system. The Council reports revenue and capital budget monitors, performance monitoring and risk monitoring reports to members contemporaneously. This allows linkages to be made between financial and service performance and risks, and allows members and senior management to monitor a more complete picture of the value for money being delivered by the Council.

Through the Performance and Risk Matters reports to the Joint Overview and Scrutiny Committee and Joint Strategic Committee the Council routinely reviews and updates a joint risk register, which also specifically details the risks in relation to the Council's partnership working with Adur District Council.

The Council has an established risk management strategy. This is a live document, with updates on strategic risks reported to members quarterly via Performance and Risk Matters reports which are presented to both the Overview and Scrutiny Committee and Cabinet. Risk management refresh workshops are run, and are attended by both members and senior officers. There is good evidence of a corporate commitment to risk management.

A properly constituted audit committee was not in place for the majority of 2008/09. Only recently has the Council established a committee to properly discharge the core functions of an audit committee - the Governance and Audit Committee. Historically these arrangements were spread across the Council's Overview & Scrutiny Committee, General Purposes Committee and Cabinet. Although the core functions of an audit committee are now being delivered, Governance and Audit is yet to be able to demonstrate that it is having a positive impact in providing effective challenge across the organisation. The Committee does yet have a clear understanding of what the role of an audit committee should be.

The Council has a business continuity plan in place which it regularly reviews and tests through the Partnership Management Board. Combining the Business Continuity Planning process with Adur should give the Council greater capacity to deal with emergencies and ensure that services remain as unaffected as possible. For example, if the Worthing Civic Centre was unusable, control of the incident would be transferred to an Adur site.

The Council's internal audit service is provided externally by Deloitte. We have assessed the service as operating effectively and in accordance with the requirements of the relevant standards. This supports the Council in maintaining a sound system of internal control and provides detailed evidence to inform the Annual Governance Statement. We have, however, noted delays in the reporting of internal audit work in 2008/09 and internal audit reports have only recently been routinely considered by the Governance and Audit Committee.

Appendix 5 – Use of resources key findings and conclusions

Table 8 Managing resources

THEME SCORE: 2	
KLOE 3.3 (workforce planning)	
Score	2
VFM criterion met	Yes
KLOE 3.3 Findings and Conclusions	
<p>The Council manages its workforce adequately to support the achievement of strategic priorities.</p> <p>The Council is managing the skills and productivity of its staff effectively. It has effective people management policies in place and is updating them to reflect its partnership approach. It has scheduled a thorough programme of reviews of HR policies to ensure harmonisation between the organisations. During 2008/09, a pay review was completed and implemented so that there is now a single pay structure for joint services. There is a range of policies which support flexible working and staff development and the Council has recently completed a healthy workforce survey to inform future actions on staff welfare. It is managing staff sickness absence effectively. In 2008/09, levels of sickness absence rose slightly but remained low, averaging 7.14 days per employee. The skills and training needs of individual staff are assessed in annual performance reviews. These are considered corporately to identify common training needs. It is less clear how service planning considers these issues though the current round of service reviews will offer a developing analysis in the future. Nor is it clear what plans are in place to address skills gaps.</p> <p>The Council's approach to workforce planning is progressing positively. Its work in the AWP has enabled an effective focus on joint management resources from April 2008. High level business cases have successfully identified the way in which services will be brought together and therefore address the short term workforce implications of joint working. In the coming year, service reviews will examine in detail the workforce needs of reviewed services. There is a specific service review to consider the procurement of agency staff. Action is being taken to define a corporate workforce development strategy. A draft is in place and actions are being taken to address workforce planning issues. In addition, the Partnership Support Group plays a role in supporting and challenging managers on the service reviews, including workforce implications. There is no evidence that there is joint working with other local partners to share or develop workforce resources.</p>	

There is a continuing challenge to ensure that the organisation's workforce needs in the medium term are considered strategically and effectively address future challenges and succession planning.

The Council has been proactive in engaging staff and communicates effectively with its staff on organisational change. Change champions have been identified in each service block in order to liaise with the business transformation (BT) team to help support the programme of service reviews, discuss transformation in their service and share experiences with other change champions and the BT team. The Joint Officers Negotiating Group has been actively involved in the change process, particularly on the single pay issue. The Council also uses Team Talk for communicating with staff, managers' briefings, joint staff committee, online Q&A to Partnership Management Board (PMB) and feedback from PMB. The chief executive and executive directors have presented to staff on the change programme.

The Council has been slow to develop its approach to equalities and diversity, though there are structures now in place to encourage development. An Adur Worthing equalities and diversity action plan has been agreed containing ten actions. Each service block has now completed an equalities and diversity action plan and equality impact assessments are to follow.

Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2008/09 – Recommendations						
10	R1 Where there is clear indication of possible impairment in the value of fixed assets, for example the current economic downturn, ensure that a full impairment review is undertaken annually by the Council's professionally qualified valuer that covers all of the Council's fixed assets.	3	Sarah Gobey, Executive Head of Financial Services Wendy Baker, Capital Accountant Steve Coe, Estates Manager	Yes		31 March 2010
10	R2 Ensure that an actual asset by asset split for land and buildings is determined as part of the Council's rolling programme of asset revaluations and that this is used as the basis for the annual depreciation charge in the financial statements.	3	Sarah Gobey, Executive Head of Financial Services Wendy Baker, Capital Accountant Steve Coe, Estates Manager	Yes		31 March 2010

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
13	R3 Year end control account reconciliations for material financial systems should be subject to documented review by an officer separate to the reconciliation preparer.	3	Joseph Saville, Group Accountant. Christine Ryder, Finance Manager	Yes		31 March 2010
13	R4 Ensure that invoice request forms used within the debtors systems are: <ul style="list-style-type: none"> properly authorised prior to invoices being raised; and retained for all departments to evidence operation of the control. 	2	Sarah Gobey, Executive Head of Financial Services Relevant Executive Head of Service for Departments	Yes		31 March 2010
13	R5 Ensure that AWJC debtors and creditors are properly consolidated into the Council's main financial statements.	3	Sarah Gobey, Executive Head of Financial Services Jo-Anne Chang-Rogers, Finance Manager	Yes		31 March 2010
16	R6 Make clearer links between financial and corporate planning to ensure that financial decisions are more clearly informed by agreed priorities.	3	Sarah Gobey, Executive Head of Financial Services	Yes	Will be achieved by explicitly linking financial actions and decisions to corporate priorities.	Ongoing

Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
16	R7 Consider the role and function of budget consultation in the current review of community engagement, and ensure that any future budget consultation is meaningful.	2	Sarah Gobey, Executive Head of Financial Services	Yes	This is recognised as important, but given timescales and competing priorities will be undertaken more fully as part of the 2011/12 budget setting process.	For 2011/12 budget.
16	R8 Consider more ways to review and analyse service costs, for instance by benchmarking against other councils.	2	Strategic Directors	Yes	Will be considered further over the next two years as part of the Better Together Project.	Over the next two years.
16	R9 Make clearer links between commissioning and needs assessment; for example, develop understanding of the inequalities and diversity of its local communities and their needs for services over the longer term in order to shape those services over time.	3	John Mitchell, Executive Head of Corporate Strategy.	Yes	Timescale to be considered further.	

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
16	R10 Review and update the Council's procurement strategy.	3	Cliff Harrison, Executive Head of Technical Services. Steve Spinner, Head of Business Services	Yes		31 October 2010
16	R11 Accelerate progress in the corporate management of diversity and equalities. Ensure that its principles are applied comprehensively to services. Make more effective use of equality impact assessments in order to ensure that the impact of spending decisions on diverse communities are understood and taken into account.	3	John Mitchell, Executive Head of Corporate Strategy.	Yes	Timescale to be considered further.	
16	R12 Continue to develop the role and function of the Governance and Audit Committee to improve the level of impact it has in providing effective challenge across the organisation.	3	Sarah Gobey, Executive Head of Financial Services.	Yes	Further training is planned to continue to develop the role and function of the Committee.	Ongoing

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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