

# Annual Governance Report

Charnwood 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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# 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.

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<b>Financial Statements</b>	<b>Results</b>	<b>Page</b>
Unqualified audit opinion	Yes	6
Draft financial statements free from material error	Yes	6
<b>Use of resources</b>	<b>Results</b>	<b>Page</b>
Overall use of resources draft score (subject to completion of the national quality assurance process)	2	8
Adequate arrangements to secure value for money	Yes	9

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## Audit opinion

- 1 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements.
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## Financial statements

- 2 The draft financial statements presented for audit were free from material errors.
  - 3 We have agreed with officers a number of presentational amendments.
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## Use of resources

- 4 2008/09 was the first year of a new approach to our Use of Resources assessment. As has been well publicised this is a broader and more challenging assessment than the previous approach. Overall, subject to national quality assurance, we assessed the Council as level 2 - meeting minimum requirements and performing adequately.
  - 5 This is a positive result for the Council, given the more challenging assessment method.
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### Audit Fees

- 6 At this stage we are not proposing any change in the opinion audit fee of £117,600 we agreed with the Council in May 2008.

# 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.**

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**7** I ask the Audit Committee to:

- consider the matters raised in the report before I give my opinion on the financial statements;
- 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 draft score;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

# 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. In order to comply with auditing standards I have to present my findings from the audit of the financial statements to you before I issue my opinion on the financial statements.

## Opinion on the financial statements

- 8 Our work on the financial statements is substantially complete. Should any further matters arise before I give my opinion, I will raise them with the Acting Head of Financial Services and the Chair of the Audit Committee.
- 9 Subject to satisfactory clearance of any such outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

## Errors in the financial statements

- 10 The financial statements were free from material errors. We have agreed with officers a number of presentational amendments as set out in Table 2 and Appendix 2.
- 11 These amendments have had no impact on the general fund balance which remains unchanged.

## Letter of representation

- 12 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

- 13 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
The accounting policy for housing rents does not comply with the SORP. We reported this issue to members last year in	We raised this issue again at the Audit Committee meeting on 16 June 2009 as officers had decided not to amend the

## Financial statements

Issue or risk	Finding
our annual governance report, with a recommendation that the accounting policy be reconsidered in future.	policy in the 2008/09 accounts, so that members would have an opportunity to comment, before the accounts were formally approved by Council. After due consideration members decided that the rents in the accounts included a full year's rent for each dwelling and therefore were included on an accrual basis. As such members decided not to amend the policy.
The financial standing of Charnwood Neighbourhood Housing (CNH) may be an issue.	We have reviewed the carrying values of the CNH debtor in the authority balance sheet and we have concluded that no bad debt provision is required.
Our original plan assumed that outsourcing of financial services may have had an impact on our audit for 2008/09, as finance staff would no longer have been employed by the Council at the time of audit.	There has been no discernable impact on the conduct of the audit, as the outsourcing has not gone ahead as planned.

## Accounting practice and financial reporting

14 I consider the qualitative aspects of your financial reporting. Table 2 contains the issues I want to raise with you.

**Table 2**

Issue	Finding
Fixed asset register	<p>Our testing to confirm existence of assets identified some vehicle, plant and equipment assets which the Council no longer has but remain on the fixed asset register. These assets had been fully depreciated so has no impact on the net book value of assets shown on the balance sheet, although the gross book values shown in the fixed asset notes to the accounts are incorrect.</p> <p>Officers were already aware of the need to review the fixed asset register to ensure that in future it contains only those assets that the Council has.</p>

Issue	Finding
<p>The actual value of assets in the Leicestershire County Council pension fund as at 31 March 2009 was £1.508 billion. This figure is 3.3% lower than the estimated values used by the Actuary in his calculations.</p>	<p>The estimated value of the Council's share of scheme assets, as advised by the actuary, (£51.451 million) is potentially overstated by 3.3% or £1.698 million. The net pension scheme liability and pension scheme reserve shown on the face of the balance sheet are both understated by the same amount.</p> <p>The accounts were prepared using information provided by the actuary.</p>

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# 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.

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## Use of resources judgements

- 15** In forming my scored use of resources judgements, I have used the methodology set out in the 2009 [use of resources framework](#). The use of resources framework was amended this year and is much broader and more challenging than the framework for previous years and no direct comparison of current and previous scores is possible. 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.
- 16** 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.
- 17** The Council's use of resources theme scores are shown in Table 3 below. The scores are currently draft and under embargo as they are still subject to the national quality assurance process. Final scores subject to any challenge by authorities will be released by the Audit Commission on 14 September 2009. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 5. Unlike previous years, we will not be issuing a separate report on use of resources, but will be discussing the detailed results with officers.

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**Table 3** Use of resources theme scores (draft)

Use of resources theme	Draft scored judgement
Managing finances	2
Governing the business	2
Managing resources	2

- 18** The Council's arrangements across all areas are solid. They meet minimum acceptable levels of performance and are consistent with established professional practice and guidance, meet statutory requirements and generally operate effectively. Across the theme areas there are some stronger performing aspects covering how well the council understands and manages its costs to help achieve efficiencies and how it

commissions and procures services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money.

**19** Detailed findings and areas for improvement are in Appendix 5.

**Recommendation**

**R1** Assess the areas for improvement in Appendix 5 and develop an action plan to strengthen arrangements in identified areas.

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**Value for money conclusion**

**20** 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 5.

**21** 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.

# Appendix 1 – Proposed independent auditor’s report to Members of Charnwood Borough Council

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## **Opinion on the financial statements**

I have audited the Authority and Group accounting statements and related notes of Charnwood Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Accounts, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheets, the Authority and Group Statements of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statements, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, 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 Charnwood 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 Acting Chief Executive and auditor**

The Acting Chief Executive’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 and Group accounting statements 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; and
- the financial position of the Group 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. 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 Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group 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 Authority and Group accounting statements. My responsibilities do not extend to any other information.

### **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 Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group 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 Authority and Group 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 Authority and Group accounting statements and related notes.

### **Opinion**

In my opinion:

- The Authority financial statements 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; and
- The Group financial statements 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 Group 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 regularly to 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, Charnwood Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009.

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#### 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.

# Appendix 2 – Adjusted amendments to the accounts

This year the reporting requirements placed on us have changed. We now have to consider errors greater than 1% (formerly 10%) of our calculated materiality level i.e. £15,000 in respect of misstatements affecting the revenue account, or £33,840 in respect of items affecting the balance sheet only.

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

**Table 4**

		Income and Expenditure Account (I&E) and Statement of Movement on the General Fund Balance (SMGFB)		Balance Sheet	
Nature of Adjustment	Item of account	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Asset incorrectly classified as 'surplus assets' when it should be shown as 'investments assets'	Investment assets Surplus assets			500	500

Officers have made amendments to the Group Accounts following an error of £31,000 identified by the auditors of the subsidiary, Charnwood Neighbourhood Housing Limited.

We also identified an error of £83,000 which meant that the net book value of garages shown in the Council's balance sheet was understated. This arose because the value of garages assessed by the valuer at 31 March 2009 was further reduced incorrectly by this amount. Officers have made amendments to the core financial statements but this has no effect on the general fund balance or HRA balance carried forward.

## Appendix 2 – Adjusted amendments to the accounts

In addition there were several minor presentational amendments to the explanatory foreword and notes to the financial statements which I do not consider significant to bring to your attention.

# Appendix 3 – Unadjusted misstatements in the accounts

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There are no unadjusted misstatements to report.

# Appendix 4 – Draft letter of representation

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To:

Neil Bellamy  
District Auditor  
Audit Commission  
7 Lewis Court  
Grove Park  
Enderby  
Leicestershire  
LE19 1SU

## **Audit for the year ended 31 March 2009**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Charnwood Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009.

### ***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/United Kingdom Generally Accepted Accounting Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

### ***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 Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

### ***Going Concern***

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, if any, relating to going concern.

### ***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 Council.

The Council 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.

### ***Assets***

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

## Appendix 4 – Draft letter of representation

- 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;
- there are no material commitments or contractual issues; and
- no financial guarantees have been given to third parties.

### ***Related party transactions***

I confirm the completeness of the information disclosed regarding the identification of related parties.

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

### ***Post balance sheet events***

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

Mr G Parker  
Acting Chief Executive

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 5**      **Managing finances**

<b>Theme score</b>	<b>2</b>
<b>Key findings and conclusions</b>	
<p>Preparation of accounts is particularly good, with a strong team of accountants up to date with technical developments. There is modelling of scenarios in the Medium Term Financial Strategy (MTFS) but it is not sophisticated. Engagement with the public does not yet include engagement in actual spending decisions. Scrutiny is getting better, but there is little evidence of where it has made a difference.</p> <p>The award of the new environmental services contract based on quality rather than lowest cost demonstrates understanding of costs but it is too early to judge the impact of the new contract. Benchmarking is being undertaken but there has so far been limited application of lessons learned.</p>	
<b>KLOE 1.1 (financial planning)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
<b>Key findings and conclusions</b>	
<p>The MTFS is aligned to corporate objectives and priorities but these are so broadly based that there is only a limited sense of what really matters. Best and worst case scenarios are modelled but these are not sophisticated. There is much clearer and well-informed prioritisation at service level and the Council is willing to make choices on resource allocation to support this. However the lack of explicit criteria for decisions on revenue allocation, though starting to be addressed, mean that there is limited transparency around decision-making in this respect.</p> <p>Engagement with the public and understanding of needs is improving but is used more to inform service rather than financial decisions.</p> <p>The Council has operated within its budget for several years and balances have been maintained within the range determined by its policy. The MTFS is reviewed annually and reflects key strategic objectives and local / national priorities.</p> <p>The MTFS (amended July 2009) shows shortfalls in resourcing in the medium term; £2.9m to be drawn from reserves over the next three years. The council needs to find</p>	

## Appendix 5 – Use of resources key findings and conclusions

further savings (not yet identified) of £0.8m in order to avoid further reductions in balances.

The balance on the Housing Revenue Account (HRA) is very low (£19k or just over £3 per property at March 2009).

The authority has responded appropriately to the Icelandic bank collapse. In particular, they reviewed its treasury management strategy in February 2009 (no changes were made). However some aspects could be strengthened. The counterparty list does not specify thresholds for determining an appropriate split between investments in UK and non-UK banks (although in practice, preference is for UK based investments). There are no regular independent compliance or spot checks of activity against the treasury management framework and policies.

Areas for improvement:

- Corporate objectives and priorities need to be more focussed, including better engagement with stakeholders in financial planning.
- Determine clear criteria for decision making on revenue allocation.
- Strengthen the treasury management framework further
- Reduce the funding gap identified by the MTFS.
- Improve the financial health of the HRA and ensure an effective working relationship with Charnwood Neighbourhood Housing Limited.

### **KLOE 1.2 (understanding costs and achieving efficiencies)**

**Score**

**2**

**VFM criterion met**

**Yes**

### Key findings and conclusions

Cost benchmarking information is used but is not part of a systematic review programme. There are some good examples of benchmarking in some areas such as asset management and waste services.

Cost and performance information influences decisions and commissioning and approaches to resource allocation are improving. A thorough review of costs and income streams in the 2008/09 budget was completed and service delivery plans used to identify budget pressures and savings.

Overall costs of services are generally average. There has been mixed success in achieving planned efficiencies. There have been some specific successes such as reduced costs of temporary accommodation and the prevention of homelessness which has reduced bed and breakfast costs, but plans for significant efficiencies from shared services were postponed at a late stage. External funding is sought appropriately to take forward priorities.

Areas for improvement:

- Extend benchmarking across more areas to gain a better understanding of costs.
- Introduce clear guidelines to assess and allocate revenue spend against priorities.

### **KLOE 1.3 (financial reporting)**

## Appendix 5 – Use of resources key findings and conclusions

<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
<b>Key findings and conclusions</b>	
<p>The Council has sound arrangements in place to deliver timely and reliable financial reports, including the statement of accounts,, although earlier action could have been taken to address the low balance on the HRA. Summary financial statements are produced but there is no evidence that stakeholders were consulted as to the format and content of these. No annual report is produced following the results of stakeholder consultation which showed little support for this. We intend to give an unqualified opinion on this year’s accounts</p> <p>The Council has a sound history of budget setting, monitoring and forecasting outturn. Both financial (budget monitoring) and non financial information (performance against specified performance indicators) is provided periodically to senior management and members (although in separate reports), and is acted upon. Reports include officer commentaries.</p> <p>Areas for improvement:</p> <ul style="list-style-type: none"> <li>• Consultation with stakeholders as to the format and content of Summary financial statements.</li> <li>• Report financial and non financial information in combined reports and demonstrate the effect of one upon the other.</li> </ul>	

**Table 6      Governing the business**

<b>Theme score</b>	<b>2</b>
<b>Key findings and conclusions</b>	
<p>Overall the Council’s approach to commissioning and procurement is adequate. It has some specific examples of good needs assessment but this is not consistent across all aspects. Compliance with procurement arrangements is good but could develop with a greater understanding of the supply market.</p> <p>Data quality arrangements are adequate but not developed as much as they could be to support high quality decision making. Targets are not always appropriate and data security has been breached over the last year.</p> <p>Governance arrangements are solid. The Council has a proactive standards committee and there has been a low level of complaints against members. Governance arrangements in partnerships needs further development.</p> <p>There are effective risk management processes in place although scrutiny</p>	

## Appendix 5 – Use of resources key findings and conclusions

arrangements have so far had limited impact on services. Internal control including internal audit is satisfactory.	
<b>KLOE 2.1 (commissioning and procurement)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
<p>There is a broad understanding of local needs and communication and engagement with the community is improving, for instance through the development of the Priority Neighbourhoods initiative. Joint funding streams from the LAA are channelled through the voluntary sector to support these neighbourhoods having some success for example in graffiti clean up.</p> <p>There are clear communication and consultation strategies and a range of consultation methods is used. However consultation with the public occurs but is stronger in respect of individual procurements and not consistent at all stages of the commissioning process.</p> <p>Strategic procurement and the understanding of the supply market could be developed further. There is an informal vision to reduce the number of suppliers, and encourage the use of local suppliers where appropriate. Some innovative work is being undertaken in the procurement of leisure facilities and property services are working towards a formal framework.</p> <p>Evaluation of procurement options is adequate, with a focus on compliance and procurement processes rather than a balance with a strategic approach. Purchasing mechanisms are robust and arrangements lead to cashable savings.</p> <p>Other steps are being taken to improve the effectiveness of procurement. For examples the East Midlands Centre of Excellence for Procurement templates have been used extensively to raise awareness of value for money, whole life costs, sustainability and diversity. The impact of these has yet to be identified.</p> <p>Areas for improvement:</p> <ul style="list-style-type: none"> <li>• Strategic procurement and the understanding of the supply market are underdeveloped and not supported by a clear strategy.</li> <li>• There is a focus on compliance and procurement processes rather than a balance with a strategic approach.</li> </ul>	
<b>KLOE 2.2 (data quality and use of information)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
A performance management framework is in place and many aspects of service provision have improved, but performance management is not yet delivering sufficient top level performance and sustainable improvements which are consistent across	

## Appendix 5 – Use of resources key findings and conclusions

service areas. Policy and procedures do not cover data quality requirements in relation to partnership working and there are no agreed approaches to data sharing with partners and contractors to ensure fitness for purpose.

The Corporate Plan identifies the themes, priorities and targets for the Borough. A system of score cards links to its delivery. These are reported quarterly to cabinet (corporate level) and scrutiny (directorate level). Reports have a consistent format and ‘traffic light’ approach. However, it is sometimes unclear how the red, amber or green status given to the six corporate themes has been arrived at and relevant performance indicators are not grouped and reported under these themes to ensure it is clear what progress is being made in priority areas. The indicators chosen for the scorecard are limited and sometimes inappropriate. For example the theme of 'housing and health' has no direct health indicators and 'Innovation and Learning' measures innovation only through the number of purchase orders placed using the internet. Performance information could therefore be improved to better support well-informed and rigorous decision making.

The Council’s data security arrangements overall have been subject to a major security breach with the theft of a hard drive. This was responded to appropriately and the perpetrator prosecuted.

The Council takes local data and national and local policy frameworks into account when setting its priorities. However, some targets, such as achieving 100 per cent decent homes by 2010 are unrealistic. Others such as waste collection levels, are not challenging because targets are little better or sometimes lower than existing performance or do not compare well with national standards.

Areas for improvement:

- Use performance management consistently across all service areas to improve performance and sustainable improvement further;
- Policy does not cover data quality requirements in relation to partnership working and there are no agreed approaches to data sharing with partners and contractors
- The application of data security arrangements
- Reassess targets to ensure they are realistic or challenging

**KLOE 2.3 (good governance)**

**Score**

**2**

**VFM criterion met**

**Yes**

Key findings and conclusions

The published constitution sets out the roles and responsibilities of the leader, members, Chief Executive and officers in accordance with current statute and models. The full Cabinet takes responsibility for decisions as there is no delegation to individuals. Protocols and standards are in place to underpin the development of sound relationships. The recent corporate assessment described the behaviour and conduct within the Council as generally good.

Council ambitions are primarily focused around service provision rather than longer-

## Appendix 5 – Use of resources key findings and conclusions

term, strategic development. Although there is a broad understanding of need, and communication and engagement with the community is improving, this is not always translating into effective corporate priorities. The Corporate Plan identifies key local issues but there is no overarching vision of what the Council expects the Borough to be like or the outcomes sought.

The Standards Committee is effective and has adopted the new local assessment framework. It works proactively in ensuring existing codes of conduct are understood and levels of complaints against members are relatively low. The register of members interests is maintained but not accessible on the Council's website.

Action is being taken to improve the governance of partnerships perceived as weak in last corporate assessment.

Areas for improvement:

- Develop Council ambitions in the context of a longer-term, strategic outlook.
- Increase access to the register of members interests via the Council's website
- Strengthen partnership governance

### **KLOE 2.4 (risk management and internal control)**

**Score**

**2**

**VFM criterion met**

**Yes**

### Key findings and conclusions

An effective framework and process are in place to monitor and manage risk including regular reporting to scrutiny, although the impact of scrutiny has been limited. Partnership risks are identified but not fully integrated into the register. Members recognise they need more support, including a better understanding of strategic risk.

The Council is engaged in the National Fraud Initiative (NFI) and performs pro-active housing benefit fraud investigations. It is currently reviewing its approach to the follow up of data matches which is currently not as robust as it could be.

Our recent (2007/08) full review of internal audit showed full or partial compliance against all CIPFA standards.

There were two publicised breaches of computer security during the year; a hard drive, holding financial details of thousands of taxpayers was sold on an auction site; and checks initiated as a result of the incident highlighted nine computers which could not be accounted for. Arrangements are now in place to prevent similar breaches.

Areas for improvement:

- Develop the risk register to include potential opportunities and partnership risks, as well as other business risks.
- Improve support for members to allow them to have a better understanding of strategic risk.
- Strengthen the approach to the follow up of data matches from NFI.

**Table 7 Managing resources**

<b>Theme score</b>	<b>2</b>
Key findings and conclusions	
The Council has adequate arrangements to manage its workforce in the short term including the provision of training. However its strategic approach to the longer term is underdeveloped The Council has missed its target to meet level three of the Equality Standard.	
<b>KLOE 3.1 (use of natural resources)</b>	
Not assessed this year	
<b>KLOE 3.2 (strategic asset management)</b>	
Not assessed this year	
<b>KLOE 3.3 (workforce planning)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
<p>Workforce planning arrangements seek to ensure there is a skilled and productive workforce to deliver the Council’s current priorities.</p> <p>Posts are reviewed when they become vacant to ensure they still meet business needs. There is investment in the identified training and development needs for staff and councillors, with a range of opportunities available. This is supported by a performance management and recognition system for employees.</p> <p>The workforce plan reflects the capacity required to achieve priorities over the next few years and was developed in conjunction with the staff forum, but not jointly with other partners. The strategic approach to longer term workforce planning and training and development, to meet future needs and potential service redesign is underdeveloped.</p> <p>The approach to equality and diversity is inconsistent. The Council has missed its target to meet level three of the Equality Standard and the approach to diversity issues is not embedded across the organisation.</p> <p>The recent ‘Investors in People’ assessment identified considerable improvement in the delivery of staff reviews and praised the approach to learning and its application. However, it also identified inconsistencies in the ability of some managers to lead, manage and develop their staff and in the quality of individual development plans.</p> <p>Areas for improvement:</p> <ul style="list-style-type: none"> <li>• match skills and competencies to the future needs of the organisation;</li> </ul>	

## Appendix 5 – Use of resources key findings and conclusions

- develop the strategic approach to long term workforce planning and training and development, to meet future needs with potential service redesign;
- Widen consultation on the workforce plan to include partners as well as staff
- Reach level three of the Equality Standard
- Use performance management to develop leadership and management skills

# Appendix 6 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Governance Report 2008/09 - Recommendations</b>						
9	R1 Assess the areas for improvement in Appendix 5 and develop an action plan to strengthen arrangements in the areas identified.	2	Acting Chief executive	Yes		31.12.09

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# The Audit Commission

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

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