

# Annual Audit Letter

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Charnwood Borough Council

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Audit 2008/09

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December 2009

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

**This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources. It also includes a summary of the Audit Commission's organisational assessment of the Council.**

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## Audit opinion and financial statements

- 1 I issued an audit report including an unqualified opinion on the financial statements. My opinion was given in October, later than intended, because I had to wait for the accounts of the Council's Arms Length Management Organisation (ALMO) to be signed off by its auditors.
- 2 The draft financial statements were changed to correct a few errors (these errors had no impact on the general fund balance which remained unchanged). Officers have agreed to address the issues identified by our audit. This should improve the quality of next year's financial statements.

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## Value for money

- 3 I have also given an unqualified value for money conclusion as you have adequate arrangements in place to manage and use your resources to deliver value for money. The next step is for you to demonstrate that these processes are actually helping you deliver priority services to the community.

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## Organisational assessment

- 4 Overall, the Council performs adequately. You are making reasonable progress in delivering your priority services. You are working better with partner organisations such as other councils and the police, to make sure that improvements are likely to continue. You are successfully tackling some of the issues that local people recognise as the biggest priorities: reducing crime, (particularly anti social behaviour), making the area a cleaner place to live, improving health and encouraging children to be more active.

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## Audit fees

- 5 I have been able to deliver the audit within the fee agreed at the start of the year as summarised overleaf.

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**Table 1      Audit fees**

	£
Financial statements and annual governance statement	88,700
Value for money	28,900
<b>Total audit fees</b>	<b>117,600</b>

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**Actions**

- 6 Recommendations shown within the body of this report have been agreed with officers.

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**Independence**

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

# Financial statements and annual governance statement

**The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.**

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## Significant issues arising from the audit

- 8 I issued an audit report including an unqualified opinion on the 2008/09 financial statements. My opinion was given in October, later than intended, because I had to wait for the accounts of the Council's Arms Length Management Organisation (ALMO) to be signed off by its auditors. The Council has to consolidate the accounts of the ALMO into its own financial statements, and the opinion of the ALMO auditor is an important source of assurance about stewardship of the Council's funds.
  - 9 The draft financial statements contained two non-material errors (these errors, when changed, had no impact on the general fund balance). Officers have agreed to address the issues identified by our audit. This should improve the quality of next year's financial statements.
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## Material weaknesses in internal control

- 10 I did not identify any significant weaknesses in your internal control arrangements.
  - 11 I have not provided a comprehensive statement of all weaknesses which may exist in internal control, or all the improvements which may be made. I report only those matters which have come to my attention because of the audit procedures that we have performed.
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## Accounting Practice and financial reporting

- 12 I considered the qualitative aspects of your financial reporting.
  - 13 I reported two issues to the Audit Committee in my Annual Governance Report. Officers have agreed to take action in respect of the following for 2009/10.
    - Our testing to confirm the existence of vehicles, plant and equipment identified some assets which the Council no longer has but which remain in the fixed asset register (although fully depreciated). Officers will review the fixed asset register to ensure that in future it contains only those assets that the Council has.
    - Officers will check estimates provided by the actuary to ensure they are in line with actual amounts included in the Leicestershire County Council Pension Scheme accounts.
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- 14 I have also reported other matters arising from our audit to officers, so that they can take appropriate action before next year's audit.

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### International Financial Reporting Standards (IFRS)

- 15 International Financial Reporting Standards (IFRS) will apply to local government for the 2010/11 published accounts. These will include comparative figures for 2009/10. This means that the Council needs to be in a position to provide the necessary financial and operational information from 1 April 2009.
- 16 I have reviewed the Council's plans for transition to IFRS, which include briefings for members on the process. At this stage I am satisfied that officers have adequate arrangements in place to comply with the new requirements in a timely manner, but there is still significant preparatory work to be completed to introduce IFRS successfully.

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# Value for money and use of resources

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

I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

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## Use of resources judgements

- 17 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.
- 18 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.
- 19 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 1.

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**Table 2**      **Use of resources theme scores**

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

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- 20 The Council scores 2 out of 4 for Use of Resources. Money is used well to achieve priorities and provide services. You have operated within your budget for several years and have got more out of your money. You were not successful, however, in saving all the money the government expected you to in 2008/09. This was mostly due to delays in a plan to share the management and costs of some office services with other councils and to get a private organisation to provide the services. Some savings have been made by working with other councils but you did put some of your money at risk by investing in an Icelandic bank. You have had to improve security arrangements following the theft of some confidential data.
- 21 Although the overall theme scores under the revised use of resources framework are lower than the scores achieved in previous years, this does not necessarily reflect any deterioration in overall performance as the basis of the assessment has been revised.
- 22 In common with many authorities, the challenge in order to achieve higher scores is to demonstrate how your arrangements result in improved outcomes consistent with the Council's aims and those of your key partners. The Cabinet has already approved an action plan, and has requested the Audit Committee to monitor progress towards implementing the recommendations.

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### VFM Conclusion

- 23 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.
- 24 I issued an unqualified conclusion stating that, in 2008/09, the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

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### Financial position

- 25 The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies has been immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams. There are further challenges for policy priorities where patterns of demand for services are changing.
- 26 This has an impact on the audit and as part of my responsibility, I have reflected on the wider environment, specific issues and risks and the Council's response.
- 27 The medium term financial strategy (amended in October 2009) shows that the general fund is operating with an annual deficit of around £939,000. Whilst this can be covered from reserves for the next three years, this is not sustainable going forwards. In order to bring expenditure back in line with the Council's income, officers have recommended that the costs of service provision have to be reduced or the services cut.

## Value for money and use of resources

- 28 The other major financial challenge of the Council is to rebuild your housing revenue account balance. At the end of March 2009 this stood at £19,000 (£3 per dwelling). The Council's strategy is to increase the balance to £644,000 (£110 per dwelling) by the end of March 2013 through reducing costs and by reducing rent losses from empty properties. This second objective is dependent on efficient management of your housing stock by the ALMO.

### Recommendations

- R1** The Council needs to monitor closely its financial position and to take appropriate action to enable it to remain within its budget.
- R2** Establish targets for the level of empty properties and ensure these are built into performance targets agreed with the ALMO.

## Treasury management

- 29 The Council has been affected by the collapse of Icelandic banks in October 2008: an investment of £1million with Heritable Bank is at risk. The latest estimate from the bank's administrators is that they expect to make a total distribution in the range of 70 to 80 per cent. So far, the Council has recovered £150,000. The likely impact on the general fund is a loss of over £200,000. You have taken advantage of regulations which allow this loss to be deferred. In other words, the general fund balance has not yet been reduced by this amount.
- 30 In 2009 the Council reviewed, and revised as appropriate, its treasury management framework and associated policies. We have not identified any significant weaknesses, although there two areas where arrangements can be strengthened.
- Other than the annual treasury management internal audit, there are no regular independent compliance checks with the treasury management framework and policies undertaken on investment activities, nor any regular spot checks.
  - The counterparty list includes the maximum amounts that can be deposited in banks with the same owner (group limits), but 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).

### Recommendations

- R3** Put in place arrangements to test for compliance with the treasury management framework and policies that include:
- regular (at least monthly) compliance checks; and
  - regular spot checks.
- R4** Determine an appropriate split between investments in UK and non-UK banks, which is formally documented in the Treasury Management strategy, to avoid misunderstanding.

# Organisational assessment

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

- 31** Comprehensive Area Assessment (CAA) is a new way of assessing local public services in England. It examines how well councils are working together with other public bodies to meet the needs of the people they serve. It is a joint assessment made by a group of six independent watchdogs and will provide an annual snapshot of quality of life in the area. There is also an organisational assessment for each council within the CAA. For district councils this assessment is completed by the Audit Commission.
- 32** The organisational assessment brings together the use of resources judgement with the Council's managing performance assessment.

**Table 3**      **Organisational assessment**

Managing performance	2 out of 4
Use of resources	2 out of 4

- 33** Overall, the Council performs adequately. You are making reasonable progress in delivering your priority services. You are working better with partner organisations such as other councils and the police, to make sure that improvements are likely to continue. You are successfully tackling some of the issues that local people recognise as the biggest priorities: reducing crime, (particularly anti social behaviour), making the area a cleaner place to live, improving health and more physical activities for children.
- 34** The Council scores 2 out of 4 for managing performance. You understand that although residents are quite healthy, more can be done to improve their quality of life and well being. People living in Charnwood are being helped to stay healthy by good sports and leisure activities. Slow progress is being made in making sure all council housing is of decent standard to live in and tenants say housing services are not yet good enough.

## Organisational assessment

- 35** Government targets to provide housing are not being met. Only 710 new homes were provided in 2008/09, 260 less than the target. Of the new homes built, 129 were for people on a lower income to afford but this was still less than planned. You are doing better so far this year as it has provided 108 affordable homes. There has been some success in getting empty houses back into use and finding homes for families by advertising on the web. More than 160 young people were stopped from becoming homeless in the last year through working with The Bridge housing advisory service and other organisations.
- 36** There is less antisocial behaviour and you are working with the Futures Unlocked voluntary organisation to stop people who repeatedly commit crimes.
- 37** Streets are getting cleaner, but residents still think they are not clean enough. Less waste is being created and recycling is increasing to prevent damage to the environment. About three quarters of residents are happy with recycling and waste collection services. Even more products can now be recycled after you listened to the views of residents. School children are also being shown how to cut the amount of waste thrown away. There are more successful prosecutions against people who keep fly-tipping as councils are sharing information about the people who do it.
- 38** Most Council goals to improve customer satisfaction were met. More residents say they are satisfied with the way you do things whilst opinions on specific services are mixed. A clearer picture is emerging of what the Council wants to do in the next few years. Residents were able to voice their views on what they think your priorities should be.

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# Closing remarks

- 39 I have discussed and agreed this letter with the Interim Chief Executive and the Director of Governance and Procurement. I will present this letter at the Audit Committee on 9 March 2010.
- 40 Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

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**Table 4**

<b>Report</b>	<b>Date issued</b>
Audit Plan	May 2008
Annual Governance Report	September 2009
Opinion, Value for Money Conclusion and Certificate	October 2009
Organisational Assessment	December 2009

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- 41 The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Neil Bellamy  
District Auditor  
December 2009

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# Appendix 1 – Use of resources key findings and conclusions

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

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## 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>	

## Appendix 1 – Use of resources key findings and conclusions

<p><b>KLOE 1.1 (financial planning)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>2</b></p> <p><b>Yes</b></p>
<p><b>Key findings and conclusions</b></p> <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. 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 further savings (not yet identified) of £0.8m in order to avoid further reductions in balances.</p> <p>The balance on the Housing Revenue Account (HRA) is very low (£19k or just over £3 per property at March 2009).</p> <p>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.</p> <p>Areas for improvement.</p> <ul style="list-style-type: none"> <li>● Corporate objectives and priorities need to be more focussed, including better engagement with stakeholders in financial planning.</li> <li>● Determine clear criteria for decision making on revenue allocation.</li> <li>● Strengthen the treasury management framework further.</li> <li>● Reduce the funding gap identified by the MTFS.</li> </ul>	

## Appendix 1 – Use of resources key findings and conclusions

<b>Key findings and conclusions</b>	
<ul style="list-style-type: none"> <li>• Improve the financial health of the HRA and ensure an effective working relationship with Charnwood Neighbourhood Housing Limited.</li> </ul>	
<b>KLOE 1.2 (understanding costs and achieving efficiencies)</b> <b>Score</b> <b>VFM criterion met</b>	<b>2</b> <b>Yes</b>
<b>Key findings and conclusions</b>	
<p>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.</p> <p>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.</p> <p>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.</p> <p>Areas for improvement.</p> <ul style="list-style-type: none"> <li>• Extend benchmarking across more areas to gain a better understanding of costs.</li> <li>• Introduce clear guidelines to assess and allocate revenue spend against priorities.</li> </ul>	

## Appendix 1 – Use of resources key findings and conclusions

<p><b>KLOE 1.3 (financial reporting)</b>  <b>Score</b>  <b>VFM criterion met</b></p>	<p><b>2</b>  <b>Yes</b></p>
<p><b>Key findings and conclusions</b></p> <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.</p> <p>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>	

## Appendix 1 – Use of resources key findings and conclusions

### 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 need further development.</p> <p>There are effective risk management processes in place although scrutiny arrangements have so far had limited impact on services. Internal control including internal audit is satisfactory.</p>	
<b>KLOE 2.1 (commissioning and procurement)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
<b>Key findings and conclusions</b>	
<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>	

<b>Key findings and conclusions</b>	
<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 area 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>
<b>Key findings and conclusions</b>	
<p>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 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.</p> <p>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.</p>	

## Appendix 1 – Use of resources key findings and conclusions

<b>Key findings and conclusions</b>	
<p>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.</p> <p>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.</p> <p>Areas for improvement.</p> <ul style="list-style-type: none"> <li>• Use performance management consistently across all service areas to improve performance and sustainable improvement further.</li> <li>• 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.</li> <li>• The application of data security arrangements.</li> <li>• Reassess targets to ensure they are realistic or challenging.</li> </ul>	
<b>KLOE 2.3 (good governance)</b> <b>Score</b> <b>VFM criterion met</b>	<b>2</b> <b>Yes</b>
<b>Key findings and conclusions</b>	
<p>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.</p> <p>Council ambitions are primarily focused around service provision rather than longer-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.</p>	

<b>Key findings and conclusions</b>	
<p>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.</p> <p>Action is being taken to improve the governance of partnerships perceived as weak in last corporate assessment.</p> <p>Areas for improvement.</p> <ul style="list-style-type: none"> <li>• Develop Council ambitions in the context of a longer-term, strategic outlook.</li> <li>• Increase access to the register of members interests via the Council's website.</li> <li>• Strengthen partnership governance.</li> </ul>	
<p><b>KLOE 2.4 (risk management and internal control)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>2</b></p> <p><b>Yes</b></p>
<b>Key findings and conclusions</b>	
<p>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.</p> <p>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.</p> <p>Our recent (2007/08) full review of internal audit showed full or partial compliance against all CIPFA standards.</p> <p>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.</p>	

## Appendix 1 – Use of resources key findings and conclusions

<b>Key findings and conclusions</b>
<p>Areas for improvement.</p> <ul style="list-style-type: none"> <li>• Develop the risk register to include potential opportunities and partnership risks, as well as other business risks.</li> <li>• Improve support for members to allow them to have a better understanding of strategic risk.</li> <li>• Strengthen the approach to the follow up of data matches from NFI.</li> </ul>

### Managing resources

<b>Theme score</b>	<b>2</b>
<b>Key findings and conclusions</b>	
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.	

## Appendix 1 – Use of resources key findings and conclusions

<p><b>KLOE 3.3 (workforce planning)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>2</b></p> <p><b>Yes</b></p>
<p><b>Key findings and conclusions</b></p>	
<p>Workforce planning arrangements seek to ensure there is a skilled and productive workforce to deliver the Council’s current priorities. 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> <li>● Develop the strategic approach to long term workforce planning and training and development, to meet future needs with potential service redesign.</li> <li>● Widen consultation on the workforce plan to include partners as well as staff.</li> <li>● Reach level three of the Equality Standard.</li> <li>● Use performance management to develop leadership and management skills.</li> </ul>	

## Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R1 The Council needs to monitor closely its financial position and to take appropriate action to enable it to remain within its budget.	3	Senior Management Team	Yes		Ongoing
9	R2 Establish targets for the level of empty properties and ensure these are built into performance targets agreed with the ALMO.	3	Director of Housing and Health	Yes		30 June 2010
9	R3 Put in place arrangements to test for compliance with the treasury management framework and policies that include: <ul style="list-style-type: none"> <li>regular (at least monthly) compliance checks; and</li> <li>regular spot checks.</li> </ul>	2	Head of Performance and Audit	Yes		30 June 2010
9	R4 Determine an appropriate split between investments in UK and non-UK banks, which is formally documented in the Treasury Management strategy, to avoid misunderstanding.	1	Chief Finance Officer	Yes	It is not always clear whether subsidiaries of foreign banks are classed as UK or non-UK banks. We will always consider the credit rating of banks when making decisions.	30 June 2010

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# 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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