AUDIT AND RISK MANAGEMENT COMMITTEE

Date: 5 May 2009
Venue: East Northamptonshire House, Cedar Drive, Thrapston
Time: 7.30 pm
Present: Councillors:- Steven North (Chairman)
Peter Bedford
David Brackenbury
Peter MacGovern
Colin Wright

PART A ITEMS

490. MINUTES
The minutes of the meeting held on 18 March 2009 were approved and signed by the Chairman.

491. APOLOGIES FOR ABSENCE
No apologies were received.

492. DECLARATIONS OF INTEREST
No interests were declared under Section 50 of the Local Government Act 2000.

493. ANNUAL AUDIT AND INSPECTION LETTER
The Committee received the Annual Audit and Inspection Letter following the completion of the Audit Commission’s work for 2007/2008. (A copy of the Annual Audit and Inspection Letter is attached as Appendix 1 to these minutes at pages 930 to 942.)

Mr Tim Driver (Audit Commission) attended the meeting to present the Audit Letter and answered questions from Members. He explained that the slight drop in the performance of the Council should be considered within the context of improved performance of poorer Councils. The Committee noted that access to services, sickness and Development Control had been highlighted as areas for improvement, whilst the Revenues and Benefits service had successfully maintained its high levels of performance. Mr Driver commented that the Council’s future plans were well developed, clear and logical, and the Aiming 4 Excellence scheme was well structured, well managed and effective.

RESOLVED:
That the Annual Audit and Inspection Letter be received and noted.
494. **ANNUAL GOVERNANCE STATEMENT**

The Committee considered the draft of the statutory Annual Governance Statement, noting that the Audit Manager would have further changes to make as her evidence checking was not yet complete. The Standards Board had commented on the draft at its meeting on 8 April and the final Statement would be incorporated within the Statement of Accounts which would be presented to the Committee at its next meeting on 30 June.

**RESOLVED:**

That the draft report be approved.

495. **THANKS**

The Chairman thanked officers and Members of the Committee for their work and support throughout the last municipal year.

Chairman
Annual Audit and Inspection Letter

East Northamptonshire Council
Audit 2007/08
March 2009
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.
Key messages

1 East Northamptonshire Council has defined new priorities that provide a focus for the delivery of improvement. There has been progress in most priority areas, though this is mixed and improved outcomes are limited. Plans for town centre regeneration are progressing well and the housing needs of vulnerable people are being supported. Overall improvement fell in the last year and is now slower than similar councils. The performance of the planning service has deteriorated notably during the year. Plans for delivering future improvements are robust, with adequate resources to deliver them. Sickness absence has worsened and reduces capacity, but is now improving. Value for money (VFM) overall is adequate with plans to enhance it further. Performance management processes remain robust enabling early identification of areas of underperformance.

2 The Authority faces a number of challenges going forward. In particular:
   - the challenges of implementing new accounting requirements including the 2009 SORP and International Financial Reporting Standards (IFRS);
   - embedding its joint working Finance working arrangements with Corby; and
   - the new Use of Resources assessment to support the Comprehensive Area Assessment (CAA) regime.

Action needed by the Council

3 The council should continue its focus on strengthening service improvement, particularly in the planning service.
Purpose, responsibilities and scope

4 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.

5 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.

6 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk; (In addition the Council is planning to publish it on its website).

7 Your appointed auditor, KPMG LLP (KPMG), is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:

- the Council's accounts;
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
- whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.

8 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission’s duty under section 13 of the 1999 Act.

9 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.
How is East Northamptonshire District Council performing?

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

**Figure 1  Overall performance of district councils in CPA**

<table>
<thead>
<tr>
<th>Performance against other councils</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>21%</td>
</tr>
<tr>
<td>Good</td>
<td>42%</td>
</tr>
<tr>
<td>Fair</td>
<td>32%</td>
</tr>
<tr>
<td>Weak</td>
<td>4%</td>
</tr>
<tr>
<td>Poor</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Audit Commission (percentage figures may not add up to 100 per cent due to rounding)

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

- cleaner;
- healthier;
- safer;
- prosperous; and
- sustainable.
Progress in improving cleanliness of public spaces has been mixed. Improved low levels of graffiti and fly-posting are in line with the best councils; however littering has increased, with specific issues in Rushden, but remains lower than average nationally.

Improved outcomes are being delivered through the Council’s sustained focus upon its priority of helping the community to be healthier. The Council’s policies are pro-active in promoting the health benefits of physical activity. The Active People survey shows that 23 per cent of local residents are taking part in regular exercise. Given the very rural nature of the district, facilities provided by the leisure trust are crucial to supporting leisure and sporting activity. A higher than average proportion of the local community is also volunteering in support of active recreation and sport.

The Council and its partners have had mixed success in reducing crime to make the district safer and also to make residents feel safer. The rate of robberies and theft from vehicles has been reduced. Overall levels of crime are in line with peers and serious acts of violence are below average, but have begun to increase. Serious acquisitive crime and vehicle crime have increased recently to become a problem. The Crime and Disorder Partnership is pursuing solutions in its priority areas, such as youth crime, including greater engagement of detached youth workers.

The Council is actively supporting town centre regeneration and development to make the district more prosperous. The Rushden Regeneration Programme is established and the Council and its partners are assessing options to release additional land for development. Town centre regeneration stimulates the local economy and creates additional business opportunities.

The Council’s success in improving sustainability is mixed. The service provided to homeless persons and families continues to improve. The number of households experiencing homelessness continues to increase; however the Council has made less use of both temporary accommodation and bed and breakfast facilities and it has no incidences of repeat homelessness. The Council continues to have limited impact in bringing vacant dwellings back into use and the number of such dwellings across the district has increased further during the year; however there has been a substantial increase in the number of new affordable homes provided. Waste management has seen further improvement during the year. The Council increased the levels of household waste recycled to over 30 per cent, which does not take account of substantial quantities of green waste that are composted by individuals locally. The overall amount of waste collected by the Council has reduced substantially, bringing the Council into line with the best performance nationally, with only a marginal increase in cost.

Overall improvement fell in the last year and is slower than similar councils. The Council improved 50 per cent of all performance indicators (PIs), which is well below the national average of 58 per cent. Over the last three years 60 per cent of PIs have improved, which is slightly above the national average. Only 28 per cent of PIs are in line with the best councils. Although 56 per cent of PIs are above the national average, 24 per cent of PIs are amongst the worst 25 per cent of councils. This is highlighted by a substantial decline in the performance of planning services, from relatively strong performance in the previous year.
18 The Council has maintained the consistently effective performance of its revenue collection functions. The amount of business rates collected remains better than average, whilst council tax collection is amongst the best of all councils nationally. Effective financial management strengthens capacity and provides a robust platform from which to deliver improved outcomes for the community.

19 Engagement with the wide number of geographically diverse communities is improving. The Council's senior management team meets regularly with clusters of the many parish councils to ascertain priorities and inform future planning. Improving access to services is a key feature for this rural district. The tourist information centre in Oundle is now enabled to deliver a range of council services, increasing opportunities for face to face contact with customers in the north of the district.

20 The Council has focussed effectively on improving outcomes for more vulnerable members of the community. The speed of processing of Housing Benefit applications has been improved during the year. Also changes in circumstances continue to be processed very quickly in line with the best of councils nationally, reducing the risk of financial debt or hardship for these customers. The Council remains at level 2 of the equality standard for local government.

21 The Council is making adequate progress in improving value for money (VfM), with its score remaining at two (out of four) in the annual Use of Resources assessment. Improved value for money increases the likelihood of improvements being sustained. The Council continues to seek efficiencies in delivering its services. East Northamptonshire Council hosts a joint ICT service for itself and Wellingborough Borough Council. Similarly the Council's financial functions are provided by a joint service hosted by Corby Borough Council. Sharing back office functions with partners reduces cost overheads. The Council has achieved efficiency savings of £100,000, despite the negative impact of the economic downturn and the reductions in the council's income.

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

22 The Council has well structured plans for delivering improvement; they are detailed, widely communicated and appropriately linked to other key corporate and community plans. Effective planning increases the likelihood of improvements being delivered that the community will recognise.

23 The Council has maintained an effective focus on partnership working. The Local Strategic Partnership (ENable) has developed a new Sustainable Communities Strategy (SCS) 2008-2015, which sets out the vision that partners have for the future of the district. This is to make "East Northamptonshire a network of thriving communities where people enjoy a high quality of life". There is a clear concept of what success will look like and what key outcomes must be achieved to deliver it. Improvement plans are integrated effectively. All plans show clearly developed links to the SCS and corporate priorities. They are adequately resourced, set out the intended benefits to the community and also how they will increase overall economy, efficiency and effectiveness.
24 The Council is delivering most improvement plans effectively, with further focus required to address a lack of capacity in development control. The Council's improvement programme is built around the theme of 'Aiming for Excellence', known as A4E. Progress is regularly monitored and the majority of projects are on track to be delivered within the planned budgets and timescales. The growth agenda for the sub region provides a major challenge for the Council. Development Control services have not kept pace with demand during the recent year. There has been a higher than normal number of major applications and a backlog in processing has occurred. High levels of staff turnover and the training requirements for replacement staff have aggravated this. It has also had a higher proportion of appeals against planning decisions, and almost half have succeeded.

25 Capacity to deliver plans is mixed overall. Whilst the Council clearly has the capacity to deliver its improvement plans within the A4E programme, there are difficulties in ensuring improved planning performance. Detailed projects have been established within the A4E programme, based on appropriate business cases, with the required resources being identified and allocated. This increases the likelihood of plans being successfully delivered. The Scrutiny function is providing only limited challenge to ensure the delivery of improvement plans. An action plan has been developed to address poor performance in development control. This has been agreed by members, but no monitoring arrangements were agreed to ensure that adequate progress is actually being made.

26 The Council has effective plans in place to improve VfM. It is developing a VfM Strategy, to link to the Medium Term Financial Planning process.

27 The Council has well developed plans in place to improve the overall access to services through the implementation of new technology. The telephone system is being upgraded and it is replacing its Customer Relationship Management system; although technical issues caused a temporary delay to these projects.

28 The Council is continuing to build capacity through developing its staff. The Knowledge, Skills and Behaviours project is designed to instil corporate values across the organisation and strengthen ownership and accountability for improving services. A key aspect of the project is to increase staff engagement in the delivery of all corporate objectives, rather than only those that relate to their specific work area.

29 A 30 per cent overall increase in the average number of days lost to staff sickness absence, particularly affected by several occurrences of long term sickness compared to the previous year, has undermined the Council’s overall capacity to deliver its improvement plans; however this situation is now improving.
The audit of the accounts and use of resources

The Statement of Accounts

30 On 30 September 2008, KPMG issued an unqualified opinion on the Authority’s 2007/08 accounts. KPMG also issued its Use of Resources conclusion, and its certificate confirming completion of all work required for the 2007/08 financial year under their statutory responsibilities.

31 KPMG also reviewed the Authority’s Whole of Government Accounts submission and concluded that it was consistent with the statutory accounts. This was submitted to the Department for Communities and Local Government on 9 October 2008.

The closure of the 2007/08 accounts was undertaken for the first time by the joint finance arrangements with Corby Borough Council. The audit highlighted a number of errors in the Statement of Accounts, which were outlined in the ‘Report to those charged with governance’ presented in September 2008. KPMG discussed with the Head of Resources points to consider in improving the accounts production process, including the need for more rigorous quality control processes.

Use of Resources

32 The Use of Resources assessment compares the Authority performance against Key Lines of Enquiry (KLOEs) resulting in a score on a scale between 1 (below minimum requirements) and 4 (performing strongly).

33 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.

- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
- Financial management (including how the financial management is integrated with strategy to support council priorities).
- Financial standing (including the strength of the Council’s financial position).
- Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
- Value for money (including an assessment of how well the Council balances the costs and quality of its services).

34 For the purposes of the CPA KPMG has assessed the Council’s arrangements for use of resources in these five areas as follows.
Table 1

<table>
<thead>
<tr>
<th>Element</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial reporting</td>
<td>2 out of 4</td>
</tr>
<tr>
<td>Financial management</td>
<td>2 out of 4</td>
</tr>
<tr>
<td>Financial standing</td>
<td>3 out of 4</td>
</tr>
<tr>
<td>Internal control</td>
<td>2 out of 4</td>
</tr>
<tr>
<td>Value for money</td>
<td>2 out of 4</td>
</tr>
<tr>
<td><strong>Overall assessment of the Audit Commission</strong></td>
<td><strong>2 out of 4</strong></td>
</tr>
</tbody>
</table>

Note: 1 = lowest, 4 = highest

35 The overall score for Use of Resources fell from 3 to 2. The decline in score related to:

- financial reporting – the quality of the accounts submitted for audit was not as good as in prior years, and the response to audit queries was not always timely; and
- internal control – the KLOE standards were more rigorous in this assessment year, including the need to have a comprehensive business continuity plan that is regularly tested.

Data Quality

36 KPMG's review of management arrangements identified that the Authority has improved the way in which data quality is managed and how performance information is used. This is underpinned by the Data Quality Strategy and action plan, with a network of performance owners and champions.

37 KPMG's testing of performance indicators reviewed the arrangements for the collection and accuracy of indicators related to the speed of processing housing and council tax benefits claims. This testing found robust arrangements in place and did not identify any errors in the calculation of the indicators.
The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.

CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor’s assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.

The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area’s Local Area Agreement.
Closing remarks

41 The contents of this letter have been discussed and agreed with the Chief Executive. A copy of the letter will be presented to members on a date to be confirmed. Copies need to be provided to all Council members.

42 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

<table>
<thead>
<tr>
<th>Report</th>
<th>Date of issue</th>
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<tbody>
<tr>
<td>Audit and inspection plan</td>
<td>March 2007</td>
</tr>
<tr>
<td>Report to those charged with governance</td>
<td>30 September 2008</td>
</tr>
<tr>
<td>Opinion on financial statements</td>
<td>30 September 2008</td>
</tr>
<tr>
<td>Value for money conclusion</td>
<td>9 October 2008</td>
</tr>
<tr>
<td>Annual audit and inspection letter</td>
<td>March 2009</td>
</tr>
</tbody>
</table>

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

Availability of this letter

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

Nigel Toms
Comprehensive Area Assessment Lead

March 2009
The Audit Commission

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

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

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