Summary
This report presents for members attention the reports of our external auditors and officers comments on the report.

Attachment(s)
1. Annual Audit Letter
2. Annual Governance Report of the Certification of Grant Claims

1.0 Annual Audit Letter
1.1 The Annual Audit Letter summarises the work undertaken during the year by our external auditors. It is attached at appendix 1 and covers:
   - Financial statements and annual governance statement
   - Value for money and use of resources
   - Managing performance and organisational assessment.

2.0 Annual Governance Report of the Certification of Grant Claims
2.1 Each year claims we make to the government for reimbursement are subject to audit by the Audit Commissions appointed auditor. The fees for this work are set out in the Annual Audit Plan and, unlike the audit of the accounts, they are based on the actual hours taken by the auditor to complete the work.

2.2 Our auditors have a responsibility to report to those charged with governance – this Committee – to highlight errors, adjustments and qualifications with these claims. The attached report set out these matters.

2.3 Our auditors have set their findings as a result of their work which has resulted in one recommendation – which is set out in appendix 2 to this report. Officers have had the opportunity to comment on the draft report and the report in front of Member reflects these comments.

3.0 Recommendation
3.1 It is recommended that the reports are received and noted.

Implications:

<table>
<thead>
<tr>
<th>Corporate Outcomes or Other Policy/Priority/Strategy</th>
<th>Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good Quality of Life</td>
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<tr>
<td>Good Value for Money</td>
<td></td>
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<tr>
<td>Effective Partnership Working</td>
<td></td>
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<tr>
<td>Effective Management</td>
<td></td>
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<tr>
<td>Employees and Members with the Right Knowledge, Skills and Behaviours</td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td>Decision(s) would be outside the budget or policy framework and require full Council approval</td>
<td></td>
</tr>
</tbody>
</table>

Financial: There are no financial implications at this stage
<table>
<thead>
<tr>
<th>Risk Management</th>
<th>An assessment has been carried out and there are no material risks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Material risks exist and these are recorded at Risk Register Reference -</td>
</tr>
<tr>
<td></td>
<td>inherent risk score -</td>
</tr>
<tr>
<td></td>
<td>residual risk score -</td>
</tr>
<tr>
<td>Staff</td>
<td>There are no additional staffing implications</td>
</tr>
<tr>
<td></td>
<td>Additional staff will be required – see paragraph</td>
</tr>
<tr>
<td>Equalities and Human Rights</td>
<td>There will be no impact on equality (race, age, gender, disability, religion/belief, sexual orientation) or human rights implications</td>
</tr>
<tr>
<td></td>
<td>There will be an impact on equality (see categories above) or human rights implications – see paragraph</td>
</tr>
<tr>
<td>Legal</td>
<td>Power: Accounts and Audit Regulations 2003</td>
</tr>
<tr>
<td></td>
<td>Other considerations:</td>
</tr>
</tbody>
</table>

**Background Papers:**

**Person Originating Report:** Robert Austin, Head of Resources  
**Date:** 26 February 2010  

(Committee Report Normal Rev. 21)
Annual Audit Letter

East Northamptonshire Council
Audit 2008/09
December 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

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.

Audit opinion and financial statements

1 I gave an unqualified opinion on your 2008/09 financial statements on 30 September 2009.

2 The financial statements that you gave me to audit included some misstatements, including four that were material. I have agreed the changes that you made.

3 You improved the way that you prepared your financial statements and your working papers. I was impressed by the speed of responses to my questions on them. The main area that you need to strengthen is the link from your accounting records to the statements for assets and cash.

Value for money

4 We measure how well you provide value for money, and this year we made the test harder than before. We call it the 'Use of Resources' assessment, and although it was a tougher test, you managed to keep your score the same as last year, at 2 out of 4. This means that we think you meet the minimum requirements and perform adequately.

Financial position

5 You have recognised the need to take action to sort out your finances. The difficult economic conditions meant that people need your services more, but at the same time your income levels have dropped. You have identified a gap between the money you predict you will have available and what you thought you were going to spend. You are looking closely at your spending plans to see if these can be reduced and how this will affect what you decide are your most important services.

Organisational assessment

6 You are performing adequately. You are providing things that the community need most in a reasonable time and its services, staff and finances are being appropriately managed. Public perception of services is often quite different indicating that either some improvements are not visible or communications between you and the people are poor.
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.

Significant issues arising from the audit

7 Your financial statements contained four material and a number of non-trivial misstatements which you corrected. We also agreed a number of presentational amendments which we have summarised in a report to your officers.

8 There were also two unadjusted misstatements, as set out in the Annual Governance Report I presented to the Audit and Risk Committee in September. The Committee agreed with your officers' proposals not to correct them, and I was satisfied that they did not have a material effect on the financial statements.

Material weaknesses in internal control

9 I did not identify any significant weaknesses in your internal control arrangements.

Accounting Practice and financial reporting

10 I considered the qualitative aspects of your financial reporting, and highlighted the following issues in my Annual Governance Report.

- No reconciliation had been undertaken of the asset registers held in the estates department and those held in the finance department. Our testing of disposals found that one piece of land sold had not actually been included in the fixed assets registers.

- You have not re-valued your assets since the last full external valuation in 2004. The assets need to be revalued at least every 5 years, and so you will need to carry out a full valuation for the current financial year. You will need to assess the validity of all of the values each year to check that they don't need to be updated.

- Your financial statements included a £1.118m creditor for Central Government. It relates to the levy on your Large Scale Voluntary Transfer, and has been on your balance sheet for several years. We agreed with you that this should be reclassified as a provision, as there is some doubt that you need to pay it. We recommended that you try and resolve this matter as soon as practicable. If don't have to pay it, our understanding is that your useable capital receipts would increase by £1.118m.
11 I know that you are currently planning for the mandatory introduction of International Financial Reporting Standards (IFRS) to local government. This is likely to involve a significant amount of analysis of financial and operational data, and it is vital for success that the project is owned by all departments and not seen as a finance responsibility.

Financial position

12 The last year has seen the country enter a significant economic recession. The consequence locally is an increasing demand for public services and the likelihood of reduced levels of central government funding.

13 Like many other Councils, you have found that your spending plans have been affected, and you have seen a reduction in income from your investments because of reduced interest rates. I reviewed your arrangements for treasury management and did not find any significant issues.

14 You recognised that you need to look at your spending over the next few years, and formed a Budget Review Group to look at your base budget, and produce some options for savings that can be assessed against the impact on your priority objectives.

15 You still have ambitious plans for improvements to the Rushden Town area, but it is important that when you are able to make progress you take into account your overall financial position and do not overstretch your finances.

16 The impacts of the recession will continue to present you with a challenge. I will continue to monitor your response and actions in this key area, and in particular it is vital that the savings plans that you have developed are kept up-to-date and delivered in practice.

Recommendations

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<table>
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<tbody>
<tr>
<td><strong>R1</strong></td>
<td>Ensure that IFRS is delivered effectively, with all departments providing all the operational and financial data needed.</td>
</tr>
<tr>
<td><strong>R2</strong></td>
<td>Monitor the financial position and ensure that financial and operational plans are co-ordinated, and regularly refreshed to reflect the changing economic conditions.</td>
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</table>
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.

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.

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 Your use of resources theme scores are shown in Table 1 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

Table 1 Use of resources theme scores

<table>
<thead>
<tr>
<th>Use of resources theme</th>
<th>Scored judgement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing finances</td>
<td>2</td>
</tr>
<tr>
<td>Governing the business</td>
<td>2</td>
</tr>
<tr>
<td>Managing resources</td>
<td>2</td>
</tr>
</tbody>
</table>

20 Your arrangements across all areas meet minimum acceptable levels of performance, are consistent with established practice and guidance, meet statutory requirements and operate effectively.

21 This year’s assessment is more challenging, with a greater focus on outcomes. I have assessed all KLOEs as 2, and I found some stronger aspects of performance, such as the area based initiative programme and strong linking of strategic and financial plans. There are also areas where further improvement is required. We will discuss the way forward with officers in preparation for the 2009/10 assessment.
Value for money and use of resources

Recommendation

| R3 | Ensure that you can demonstrate how your arrangements result in improved outcomes consistent with your aims and those of your key partners. |

VFM Conclusion

22 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.

23 I issued an unqualified conclusion stating, that you had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.
Managing Performance and Organisational Assessment

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

24 The Audit Commission assesses how well you manage and improve your services and contribute to wider community outcomes. The assessment considers how successful you are in delivering your corporate priorities. The priorities have been drawn from what matters most to local people.

25 You score 2 out of 4 for managing performance. This is because you are making appropriate progress in delivering the things that matter to the community. You are also working well, both your own, and with partners such as other councils and the police, to make sure that improvement is likely to continue. But this has yet to be recognised by the residents, with only 41.5 per cent being satisfied with the way you run things and only 28.4 per cent of residents thinking you provide value for money.

26 Ambitious plans to improve and modernise Rushden town centre are moving forwards, despite the current economic downturn. People are being helped to deal with the recession. Advice is being provided for those struggling with debts. More people are claiming housing benefits and new claims are being processed faster than before. Levels of crime overall are low, well below the average for Northamptonshire. Residents are less likely to be the victims of serious violence, burglary or major thefts than in other parts of the county. But many local people are unaware of this and actually have a higher fear of crime and disorder than in most other areas.

27 Some genuine progress is being made in making the district cleaner although satisfaction amongst residents was still low. Swift action is taken to remove illegally dumped rubbish and abandoned vehicles. Only moderate progress is being made in protecting the local environment. Less household waste is being collected, with a substantial drop of more than 5 per cent during the last year, but you have more work to do on making sure that less greenhouse gasses are given off and the district's carbon footprint is reduced. You are having some success in helping the community to be healthier, with more young people using your leisure facilities while fewer adults than expected are participating in sport.

28 There is more work to do to improve equality of opportunity in the district, for all people, whatever background they come from. You have made little progress in this area recently, but are planning to meet the 'achieving' level in the new Equalities framework during 2009. Transport is a major issue for some groups of people.

29 Planning applications are now being dealt with more quickly, providing a much improved service. More has been done to make it easier for people to contact you. A new telephone system has been installed and a new, more useful website is being launched early next year.
Overall Organisational Assessment

30 Use of Resources and Managing Performance assessments are combined to give an overall organisational assessment judgement for you. The Audit Commission has determined that the organisational assessment judgement for you is that you perform adequately.

31 Your Managing Performance and Organisational Assessment are being reported separately by the Audit Commission’s Comprehensive Area Assessment Lead for Northamptonshire, Nigel Toms.
Closing remarks

32 I have discussed and agreed this letter with the Chief Executive and the Executive Director (S151 Officer). I will present this letter at the Audit and Risk Management Committee on 17 March 2010.

33 Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to you during the year.

Table 2

<table>
<thead>
<tr>
<th>Report</th>
<th>Date issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Plan</td>
<td>April 2008</td>
</tr>
<tr>
<td>Annual Governance Report</td>
<td>September 2009</td>
</tr>
<tr>
<td>Audit Opinion</td>
<td>September 2009</td>
</tr>
<tr>
<td>Pre and post statements audit report (draft)</td>
<td>November 2009</td>
</tr>
</tbody>
</table>

34 We agreed an additional fee to deliver the audit in addition to the fee agreed at the start of the year, as summarised below. The additional fee resulted from extra time we needed to spend on testing fixed assets.

Table 3 Audit fees

<table>
<thead>
<tr>
<th></th>
<th>Actual £</th>
<th>Proposed £</th>
<th>Variance £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial statements and annual governance statement</td>
<td>76,243</td>
<td>74,843</td>
<td>1,400</td>
</tr>
<tr>
<td>Value for money **</td>
<td>36,000</td>
<td>36,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total audit fees</strong></td>
<td>112,243</td>
<td>110,843</td>
<td>1,400</td>
</tr>
<tr>
<td>Inspection</td>
<td>5,972</td>
<td>5,972</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>118,215</td>
<td>116,815</td>
<td>1,400</td>
</tr>
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</table>

** Agreed with and billed directly by KPMG
Closing remarks

Independence

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

36 You have taken a positive and constructive approach to our audit. I wish to thank staff for their support and co-operation during the audit.

Tony Crawley
Engagement Lead
December 2009
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.

Table 1  Managing finances

<table>
<thead>
<tr>
<th>Theme score</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key findings and conclusions</td>
<td></td>
</tr>
<tr>
<td>The budget setting process for the 2009/10 year met requirements of level 2, and the Council is currently undergoing a review of its base budget in preparation for setting the 2010/11 budget. The Council has a clear understanding of its costs derived through the periodic re-letting of its major contracts and an ongoing assessment of its residual overheads. It has a consistent record of identifying and delivering efficiency savings. Effective procurement of key contracts, waste management, grounds maintenance and printing, has saved £1m. Accounts approved by Council in 2008/09 contained several material errors, but working papers and staff response times were good.</td>
<td></td>
</tr>
</tbody>
</table>
### KLOE 1.1 (financial planning)

<table>
<thead>
<tr>
<th>Score</th>
<th>VFM criterion met</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
</tbody>
</table>

#### Key findings and conclusions

- Integrated financial planning processes are effectively integrated.
- Members ensure that the plans are affordable and that they continue to enable the Council to achieve its desired outcomes.
- The Area-Based Initiative (ABI) programme is clear example of strategic and financial plans being strongly linked.
- The Council has effective channels of consultation in place for engaging stakeholders. The Council considers that the best way to engage its customers in financial planning is to ensure it properly understands their priorities and reflects them in its plans. There is not therefore explicit and separate consultation on the budget setting process.
- There are good budget monitoring processes in place which include outturn projections for the year.
- The Council has identified shortfalls in resourcing going forward and has set up a Budget Review Group to go through its base budget and produce a series of options for savings that can then be assessed against their impact on the Council's priority objectives.
- The finance sub committee and corporate management team exercise collective responsibility for financial matters, and receive regular reports on financial performance.
- Training is given to budget holders to ensure that they have an understanding of their role.
- The Council has entered into joint accountancy arrangements with a neighbouring authority and has addressed the issues that arose in the 2007/08 financial statements process, the first year of the new arrangements.
Appendix 1 – Use of resources key findings and conclusions

<table>
<thead>
<tr>
<th>KLOE 1.2 (understanding costs and achieving efficiencies)</th>
<th>Score</th>
<th>VFM criterion met</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
<td>Yes</td>
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</table>

Key findings and conclusions

- The Council has a clear understanding of its costs derived through the periodic re-letting of its major contracts and an ongoing assessment of its residual overheads.
- Performance is closely related to costs, as this is specifically embedded within the contract terms for each major contract.
- Many of the residual services that are provided directly by the Council are statutory functions that provide limited flexibility to reduce base costs. This is being addressed by the increasing utilisation of shared service provision, to increase flexibility in meeting demand, whilst maintaining adequate capacity.
- Key decisions made by members are informed by the submission of a formal structured business case that considers potential costs, risks and the benefits to be derived from the recommended action.
- Levels and quality of service are directly related to corporate priorities to ensure that value for money is systematically considered.
- The Council has a consistent record of identifying and delivering efficiency savings.
- Whilst the Council undertakes fundamental reviews of its base budget regularly, to identify potential efficiencies, it does not develop formal plans and targets for efficiency savings.
Appendix 1 – Use of resources key findings and conclusions

<table>
<thead>
<tr>
<th>KLOE 1.3 (financial reporting)</th>
<th>Score</th>
<th>VFM criterion met</th>
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<tbody>
<tr>
<td></td>
<td>2</td>
<td>Yes</td>
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</table>

**Key findings and conclusions**

- Budget monitoring information is reliable, relevant and understandable, produced on a regular and timely basis, and prompt action is taken to address variances.
- Reports to the Performance Panel do not fully demonstrate the linkages between performance and relative cost as reported in previous annual audit reports to the Council.
- Committees receive quarterly reports which include financial information and appropriately summarised information that is relevant and presented in a way that meets the committee's needs.
- The accounts approved by Council contained several non-trivial and material errors.
- The 2008/09 audit was efficient and staff responded promptly to requests for information, and working papers were of an acceptable standard with some examples of good practice.
- 2007/08 summary statement of accounts was accessible – written in plain English, but the statement that this was available in other languages was written in English, not in those other languages. It is proposed to use a similar format for 2008/09.
## Table 2  Governing the business

<table>
<thead>
<tr>
<th>Theme score</th>
<th>2</th>
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</table>

### Key findings and conclusions

There is a clear vision in place for local people which shapes the plans and activities of the Council and its partners. A corporate Data Quality strategy has been in place since September 2007, and a protocol is being developed outlining the procedures for sharing data with partners, contractors and other agencies. The Council demonstrates a clear understanding of the needs of its decision makers. It promotes and demonstrates the principles of good governance effectively. A risk register is in place which is updated on a regular basis. There is an adequate counter fraud strategy and policy statement in place. There has been some weakening in the system of internal control in 2008/09 through the failure to complete the bank reconciliation, although action has been taken to address this successfully.

### KLOE 2.1 (commissioning and procurement)

<table>
<thead>
<tr>
<th>Score</th>
<th>VFM criterion met</th>
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<tr>
<td>2</td>
<td>Yes</td>
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</table>

### Key findings and conclusions

- There is a clear vision in place for local people which shapes the plans and activities of the Council and its partners.
- The Council has effectively strengthened its understanding of the diverse needs of different parts of the district through its early engagement in the Customer Insight project.
- It is investing substantially to deliver improved leisure facilities in the south of the district.
- The Council has reviewed and redesigned its approach to service access.
- Investment has been made in technology to provide better management information regarding the usage of these facilities, and to monitor performance against the customer service standards that have been adopted.
- The Council understands that its opportunity to influence and develop the market is strictly limited by its size and level of spending.
- The Council has effectively evaluated and adopted alternative options for procuring services and supplies.
- It has partnered with neighbouring authorities to deliver shared services.
- The Council tests the competitiveness of key services, such as waste management, by direct competition in the market.
Appendix 1 – Use of resources key findings and conclusions

<table>
<thead>
<tr>
<th>KLOE 2.2 (data quality and use of information)</th>
<th>Score</th>
<th>VFM criterion met</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key findings and conclusions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A corporate Data Quality strategy is in place and further work is being undertaken to strengthen data quality across partnership working.</td>
<td>2</td>
<td>Yes</td>
</tr>
<tr>
<td>An action plan is in place to support the delivery of the strategy and positive progress has been delivered across a range of key areas. A protocol is being developed outlining the procedures for sharing data with partners, contractors and other agencies.</td>
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<tr>
<td>The Council demonstrates a clear understanding of the needs of its decision makers. The Customer Insight project is providing high quality segmentation data that can increasingly be used to target resources towards the greatest need and to maximise impact in delivering priorities. Robust arrangements are in place to ensure data security and comply with legislation. The Data Quality Strategy sets out the relevant roles and responsibilities for preparing and reporting performance.</td>
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<table>
<thead>
<tr>
<th>KLOE 2.3 (good governance)</th>
<th>Score</th>
<th>VFM criterion met</th>
</tr>
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<tbody>
<tr>
<td>Key findings and conclusions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The Council has established a sound foundation to demonstrate and promote the principles of good governance.</td>
<td>2</td>
<td>Yes</td>
</tr>
<tr>
<td>• Members receive training on their roles, the legal framework within which the Council operates, the Member Code of Conduct and any specialist areas, and this is ongoing from induction training for new Members to updates and refresher training for all.</td>
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<tr>
<td>• Every outcome in each of the eight Service Plans links directly to one of the corporate outcomes.</td>
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<tr>
<td>• An appropriate framework is in place to ensure that members remain focussed on delivering priorities.</td>
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<tr>
<td>• All projects are agreed by SMT to ensure that they assist in achieving desired outcomes and ensure that work is properly planned, with resources appropriately allocated.</td>
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<tr>
<td>• Effective arrangements are in place for the oversight of members’ behaviour.</td>
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<tr>
<td>• The Council is developing a more rigorous approach to the governance of its various partnerships. A partnership protocol was adopted in July 2008, and the Council identified eight key partnerships to which it applies.</td>
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### KLOE 2.4 (risk management and internal control)

<table>
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<tr>
<th>Score</th>
<th>VFM criterion met</th>
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<tr>
<td>2</td>
<td>Yes</td>
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### Key findings and conclusions

- The Council has a risk register which is updated on a regular basis, links to strategic objectives, assesses the risks for likelihood and impact and assigns a responsible officer. Appropriate training has been provided for members and officers responsible for the management and mitigation of risks.
- A Benefits Counter Fraud Strategy is in place, last updated and approved by the Audit and Risk Management Committee in December 2008.
- There is also a Counter Fraud Strategy and policy statement, last approved and updated in 2006, which covers the wider counter fraud and corruption arena and training on staff responsibilities is provided as part of the induction process. However there is no evidence that these arrangements extend to, and include, partnerships.
- Fraud is included as a risk within failure of internal control framework in the Council’s risk register.
- There was some weakening in the system of internal control in 2008-9 through the failure to complete the bank reconciliation, although the Council has taken action to address this and has achieved a satisfactory conclusion.
### Appendix 1 – Use of resources key findings and conclusions

#### Table 3  Managing resources

<table>
<thead>
<tr>
<th>Theme score</th>
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<tbody>
<tr>
<td><strong>Key findings and conclusions</strong></td>
<td></td>
</tr>
<tr>
<td>One of the Council’s nine corporate outcomes is ‘Councillors and staff with the right knowledge, skills and behaviours’. The Organisational Development service plan sets out the actions which it will be taking to deliver this objective. The Council has collectively compiled adequate information to plan its future workforce requirements effectively. The Council effectively monitors staff engagement and satisfaction through surveys, with feedback leading to action plans for improvement.</td>
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<table>
<thead>
<tr>
<th>KLOE 3.3 (workforce planning)</th>
<th>2</th>
</tr>
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<tbody>
<tr>
<td>Score</td>
<td>Yes</td>
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<table>
<thead>
<tr>
<th><strong>Key findings and conclusions</strong></th>
<th></th>
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<tbody>
<tr>
<td>The Council:</td>
<td></td>
</tr>
<tr>
<td>• is addressing the basics of workforce development effectively, with robust future plans in place to strengthen its approach in this area;</td>
<td></td>
</tr>
<tr>
<td>• has developed an effective framework to ensure that its staff are fit for purpose in delivering its priorities and objectives;</td>
<td></td>
</tr>
<tr>
<td>• has collectively compiled adequate information to plan its future workforce requirements effectively;</td>
<td></td>
</tr>
<tr>
<td>• is undertaking a comprehensive Learning Needs Analysis (LNA) to establish a firm basis for future employee training and development corporately;</td>
<td></td>
</tr>
<tr>
<td>• has a positive track record of effectively engaging staff in organisational change; and</td>
<td></td>
</tr>
<tr>
<td>• effectively monitors staff engagement and satisfaction through surveys, which is exemplified by the Council being ranked 18th in The Times list of the Best Councils to work for.</td>
<td></td>
</tr>
</tbody>
</table>

The current workforce has above average representation of BME staff and persons with a disability, ensuring that it is appropriately representative of the communities being served.
## Annual Audit Letter 2008/09 Recommendations

<table>
<thead>
<tr>
<th>Page no.</th>
<th>Recommendation</th>
<th>Priority 1 = Low 2 = Med 3 = High</th>
<th>Responsibility</th>
<th>Agreed</th>
<th>Comments</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>R1 Ensure that IFRS is delivered effectively, with all departments providing the operational and financial data needed.</td>
<td>3</td>
<td>Head of Resources</td>
<td>Yes</td>
<td>We have already obtained data from departments to allow us to restate our opening balance sheet position on an IFRS basis. We have a project plan for implementing the conversion to IFRS and regular reports are submitted by EnCor’s Financial Services Manager to the Head of Resources through the monthly management meetings and to the CFO through the quarterly shared service board meetings.</td>
<td>30 June 2011</td>
</tr>
</tbody>
</table>
### Appendix 2 – Action plan

<table>
<thead>
<tr>
<th>Page no.</th>
<th>Recommendation</th>
<th>Priority 1 = Low 2 = Med 3 = High</th>
<th>Responsibility</th>
<th>Agreed</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>R2 Monitor the financial position and ensure that financial and operational plans are co-ordinated, and regularly refreshed to reflect the changing economic conditions.</td>
<td>3</td>
<td>Executive Director</td>
<td>Yes</td>
<td>We are currently in the process of reviewing our financial position and the steps needed to be taken to bring our budgets back into balance. The starting point for this is our Medium Term Financial Strategy which estimates our likely financial position for the next four years. We have set up a budget review group to consider areas where spending can be reduced and we have started consultation with staff. We recognise the potential for substantial reductions in the grant we receive from the government and have already started making plans on how we could potentially find savings of 15 per cent or more from our base budgets. Whilst the economic downturn has dampened demand in some service areas, it has also increased demand in others such as housing and council tax benefits. We have responded to this by directing additional resources to pay for overtime and weekend working. Financial and operational performance is monitored on a monthly basis by officers and on a quarterly basis by Members through the Finance Sub-Committee and the Performance Panel.</td>
</tr>
</tbody>
</table>

| 7        | R3 Ensure that you can demonstrate how your arrangements result in improved outcomes consistent with your aims and those of your key partners. | 3 | Executive Director | Yes | On-going |

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East Northamptonshire Council
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www.audit-commission.gov.uk
Certification of claims and returns - annual report

East Northamptonshire Council
Audit 2008/09
Date
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Key messages

Funding from government grant-paying departments is an important income stream for the Council. The Council needs to manage claiming this income carefully. It needs to demonstrate to the auditors that it has met the conditions which attach to these grants.

This report summarises the findings from the certification of 2008/09 claims. It includes the messages arising from my assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.

Certification of claims

1 East Northamptonshire Council receives more than £19m funding from various grant-paying departments. They attach conditions to these grants, which the Council must show it has met. If the Council cannot evidence this, the funding can be at risk. The Council also collects income from non domestic ratepayers on behalf of the government. It is therefore important that the Council manages certification work properly and can demonstrate to us, as auditors, that it has met the relevant conditions.

2 In 2008/09, my audit team certified 3 claims and returns with a total value of £38.6 million. Of these, we carried out a limited review of 1 claim and a full review of the other 2 (paragraph 11 explains the difference). On 1 return that required full review we found errors, which officers corrected. As set out in paragraph 15 we were unable to fully certify one claim and issued a qualification letter to the grant-paying body. Appendix 1 sets out a full summary.

3 The fees I charged for grant certification work in 2008/09 were £25,263.

Significant findings

4 We found a small number of classification errors while testing the Housing and Council Tax Benefit claim and undertook extra testing to check the extent of this. We also found that officers had not been correctly applying the regulations about changes in claimants’ circumstances. We reported the results of our testing to the Department of Works and Pensions.

5 Our review of the National Non Domestic Rates return found several errors. Correcting these resulted in the Council paying £7,685 less to the national pool. We needed to carry out work on your control environment for this claim this year, and so could not undertake reduced testing. As a result of the work we carried out, we expect to be able to reduce our testing next year.

6 We noted that, unlike many other authorities, the Council is not able to use the standard report produced by the academy system to provide the figures for the return.
Key messages

We consider that this contributed to the errors we found. We have recommended that you consider whether to update the academy software to address this.

Certification fees

I charged £25,263 for certifying your claims, and an analysis of this is in table 1 below.

Table 1  Analysis of certification fees

<table>
<thead>
<tr>
<th>Claim/return</th>
<th>Fee (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing and council tax benefit</td>
<td>20,113</td>
</tr>
<tr>
<td>National non domestic rate</td>
<td>4,913</td>
</tr>
<tr>
<td>Disabled facilities grant</td>
<td>237</td>
</tr>
</tbody>
</table>

Actions

Officers have agreed to my recommendation (Appendix 2).
The Council claims £19m for specific activities from grant paying departments. This is significant to the Council, and it is important that this process is properly managed. In particular this means:

- an adequate control environment is needed over each claim and return; and
- ensuring that the Council can evidence that it has met the conditions attached to each claim.

I am required by section 28 of the Audit Commission Act 1998 to certify certain claims and returns for grants or subsidies paid by the government departments and public bodies to East Northamptonshire Council. I charge a fee to cover the full cost of this work. The fee depends on the amount of work required to certify each claim or return.

The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.

The key features of the current arrangements are as follows.

- For claims and returns below £100,000 the Commission does not make certification arrangements.
- For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure.
- For claims and returns over £500,000 auditors assess the control environment for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required. This means that the audit fees for certification work are reduced if the control environment is strong.
- For claims spanning over more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly. The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.
Findings

Control environment

13 We assessed the control environment for one return - the National Non Domestic Rates (NNDR) return. We needed to understand the systems and processes for completing it, and so were unable to place reliance on the control environment. Our detailed review of the 2008/09 has now provided us with the necessary assurances over the control environment for this return. Subject to any significant changes, we expect to be able to rely on the control environment for 2009/10.

14 The Commission does not require us to assess the control environment for claims:
   - between £100k and £500k, where limited testing only is undertaken
   - the Housing and Council Tax Benefits (HBCT) return, where the Commission and the Department of Works and Pensions (DWP) specify the detailed testing we need to carry out.

Specific claims

Housing and council tax benefits

15 We identified 3 issues during our review of your HBCT return:
   - Benefits payments wrongly classified as backdated awards although they were normal awards. We carried out extra testing on the two cells of the claim that this affected, and reported the results to the DWP in a qualification letter. The errors did not affect the subsidy claimed. We discussed our findings with officers, and we understand that training is taking place for assessors to avoid the errors recurring.
   - The Council had adopted a policy that where changes to claimants’ circumstances resulted in minor decreases in benefit payable, officers did not create overpayments for these items. This does not follow the HBCT regulations which require implementation of all changes of circumstances. If the Council decides not to collect small overpayments it should cancel the debts once raised. Officers accepted our finding and immediately changed this practice. We reported this issue to the DWP in our qualification letter, and attached a letter from the authority confirming that this practice had stopped from November 2009.
   - We found one case which wrongly included a carer’s premium. Further testing of all cases with carer’s premium did not identify any other errors. We agreed with officers that they correct the error in the current year in the benefits system.
National non domestic rates

16 The Council is not able to use the standard report from the Academy system to produce the NNDR return. Instead it uses several locally written reports to provide information which is then manually adjusted to complete the return. We found errors in these figures, and agreed amendments to the return.

17 The Council was an early user of Academy, and setup its own coding structure. The general coding structure within the system has since changed, and this is used to create the report for completing the NNDR return. The Council decided not to incur the cost of converting its own coding to the new one. This means it cannot use the standard report. We are aware that other councils use the standard report to complete the return.

18 It is possible the Council could complete the return more quickly if it could use the standard report. Extra costs may arise from the time taken for the auditor to review the manual working papers, and there may be additional risk of error using a manual system.

19 We also found a transcription error in the working paper used to calculate the figure for losses on collection. We agreed an amendment to the return for this.

20 The amendments to the return that we identified meant that the Council will keep an extra £7,685 of the NNDR collected.

Recommendation

R1 Consider whether it would be more cost-effective to convert to the new coding structure in the NNDR system.
Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

<table>
<thead>
<tr>
<th>Claim</th>
<th>Value £</th>
<th>Adequate control environment</th>
<th>Amended</th>
<th>Qualification letter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing and council tax benefit</td>
<td>17,602,526</td>
<td>N/A</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>National non-domestic rates return</td>
<td>20,836,585</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Claims between £100,000 and £500,000

<table>
<thead>
<tr>
<th>Claim</th>
<th>Value £</th>
<th>Amended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disabled facilities grant</td>
<td>139,000</td>
<td>No</td>
</tr>
<tr>
<td>Page no.</td>
<td>Recommendation</td>
<td>Priority 1 = Low 2 = Med 3 = High</td>
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<tr>
<td></td>
<td>Annual Claims and Returns Report 2008/09 - Recommendations</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>R1 Consider whether it would be more cost-effective to convert to the new coding structure in the NNDR system.</td>
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</tr>
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