

# AUDIT AND RISK MANAGEMENT COMMITTEE

**Date:** 17 March 2010

**Venue:** East Northamptonshire House, Cedar Drive, Thrapston

**Time:** 7.30 pm

**Present:** Councillors: - Dudley Hughes JP (Chairman)

Tony Boto  
Sean Lever

Steven North

## **PART A ITEMS**

### **418. MINUTES**

#### **RESOLVED:**

That, subject to "Audit Commission" replacing "District Auditor" at the end of the first sentence of Minute 287 (Comprehensive Area Assessment Organisational Assessment), the minutes of the meeting held on 16 December 2009 be approved and signed by the Chairman.

### **419. APOLOGIES FOR ABSENCE**

Councillors Peter Bedford, David Brackenbury and Colin Wright sent their apologies.

### **420. DECLARATIONS OF INTEREST**

No interests were declared.

### **421. EXTERNAL AUDIT REPORTS**

The Committee received the Annual Audit Letter 2009/10, which summarised the work undertaken during the year by the Council's external auditors, and the Annual Governance Report of the Certification of Grant Claims, which included the external auditor's findings with regard to their work highlighting errors, adjustments and qualifications in the Council's claims for reimbursement from the Government.

Tony Crawley and Tim Driver from the Audit Commission presented the Audit Letter and acknowledged the work of the Budget Review Group in achieving the cuts required to the Council's budget. Members noted that the amount of the grant settlement for 2011/12 was not yet known and that it could take at least four years before the Council's budgets would be brought back into balance.

#### **RESOLVED:**

That the reports be received and the recommendations contained in the 2009/10 Annual Audit Letter (attached as part of this Minute at Appendix A) be agreed.

#### **422. TRAINING AND AWARENESS OF THE STATEMENT OF ACCOUNTS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

The Committee received a presentation from Alan Hughes, ENCOR'S Accountancy Manager, on how the Council's Statement of Accounts was produced and the International Financial Reporting Standards which would be used to produce the Statement of Accounts for 2010/11.

#### **423. ACCOUNTING POLICIES**

The Committee considered the accounting policies to be adopted when drafting this year's statement of accounts. The Head of Resources reported that changes had been made to the Statement of Accounting Policies to bring on board the 2008 Statement of Recommended Practice.

Members noted that, with the exception of two items (the calculation of depreciation and positioning of the notes to the Statement of Movement on General Fund Reserves), all of the Council's policies followed the prescribed best practice and these diversions from accepted practice had been accepted by the external auditors in previous years.

#### **RESOLVED:**

That the Statement of Accounting Policies to be adopted for the 2009/10 Statement of Accounts be approved.

#### **424. COUNTERING BENEFIT FRAUD – QUARTERLY REPORT**

A report on the work of the Benefit Counter Fraud Section for the period to the end of December 2009 was submitted for consideration. The Committee noted the updated figures from February 2010 reported by the Head of Revenues and Benefits.

Members noted that income of £99,000 had been generated during this financial year by recovering overpayments which had lessened the burden on the Council Tax payer. Members thanked the Counter Fraud team for their work.

A publicity campaign in the Nene Valley News had been very successful in publicising the fraud hotline, which had received 106 calls up to 31 December 2009, resulting in thirty one investigations.

The Committee received and noted the report.

#### **425. WELLAND INTERNAL AUDIT CONSORTIUM – PROGRESS REPORT**

The Committee received a report from the Audit Manager of the Welland Internal Audit Consortium (WIAC), on the progress and performance of Internal Audit compared to the Annual Audit Plan and an overview of the key findings and recommendations from the issued reports. A Briefing Note on the 2010/11 Internal Audit Plan was tabled for information.

She reported that the Consortium was performing well and had delivered planned work broadly in accordance with the Plan, however some rescheduling had taken place to make up for slippage from the original Plan. Available audit evidence showed that the Council had

put in place effective arrangements to manage its risks and where weaknesses had been identified, appropriate action was being taken. Members noted the assurances given by the Audit Manager that there were no outstanding issues for the Committee to consider and that the results for all areas audited this year so far were good or sound. These included waste management, management and maintenance of public spaces, customer services, land charges, member development and benefits.

The IT Service's risk management planning was discussed by the Committee. It was noted that measures had been put in place to make the Council's IT systems as secure as possible and to deal with any problems (GovConnect requirements, SecTech penetration testing, and the Business Continuity Plan).

The Audit Manager also reported that Corby Borough Council was now a member of the Consortium and that there were no immediate plans to expand the service.

The Committee noted the Consortium's work and progress.

#### **426. CONTINUATION OF MEETING – COUNCIL PROCEDURE RULE 8**

Before the consideration of the next item, the Chairman reported that the two hour period in the above Rule had been reached and it was

#### **RESOLVED:**

That the remaining business on the agenda be completed.

#### **427. ANNUAL INTERNAL AUDIT PLAN 2010/11**

The Audit Manager submitted the draft 2010/11 Annual Internal Audit Plan for approval.

Members discussed the Plan and suggested that the Council's Tourism Strategy be considered for inclusion on the Plan and requested that the risks associated with procurement and contract management be brought forward on the list of entities being reviewed.

The Committee also noted progress with developing an ICT Audit Plan and that the Plan would be reviewing and auditing remote access security of the Council's ICT systems.

#### **RESOLVED:**

That, subject to Procurement being brought forward on the audit entities list planned for review during 2010/11, the Annual Internal Audit Plan 2010/11 be approved.

#### **428. RISK MANAGEMENT REPORTS**

The Committee received the standard reports on new primary risks, residual primary risks, risk profile and outstanding actions. It was noted that the terminology would be updated in accordance with the newly adopted Risk Management Strategy for the next meeting.

Members suggested that more detail and explanation of potential risks should be included on the Register. There was also concern that the Register did not appear to mitigate against the inherent risk of the loss of Government grants over the next few years.

The Committee noted the reports under the Risk Register and in order to give this matter more detailed consideration, it was

**RESOLVED:**

That, the Risk Management Reports be the first item on the agenda for the next meeting.

**Chairman**

# Annual Audit Letter

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East Northamptonshire 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.

# 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.**

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## 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.
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## 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.
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## 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.
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## 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.
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# 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

- 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.

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## Material weaknesses in internal control

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

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## 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.

## Financial statements and annual governance statement

- 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.

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### 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	
R1	Ensure that IFRS is delivered effectively, with all departments providing all the operational and financial data needed.
R2	Monitor the financial position and ensure that financial and operational plans are co-ordinated, and regularly refreshed to reflect the changing economic conditions.

# 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

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

- 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.

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### 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**

Report	Date issued
Audit Plan	April 2008
Annual Governance Report	September 2009
Audit Opinion	September 2009
Pre and post statements audit report (draft)	November 2009

- 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**

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

\*\* Agreed with and billed directly by KPMG

## Closing remarks

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### 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.

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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**

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

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

<b>KLOE 1.1 (financial planning)</b> <b>Score</b> <b>VFM criterion met</b>	<b>2</b> <b>Yes</b>
<b>Key findings and conclusions</b>	
<ul style="list-style-type: none"> <li>• Integrated financial planning processes are effectively integrated.</li> <li>• Members ensure that the plans are affordable and that they continue to enable the Council to achieve its desired outcomes.</li> <li>• The Area-Based Initiative (ABI) programme is clear example of strategic and financial plans being strongly linked.</li> <li>• 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.</li> <li>• There are good budget monitoring processes in place which include outturn projections for the year.</li> <li>• 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.</li> <li>• The finance sub committee and corporate management team exercise collective responsibility for financial matters, and receive regular reports on financial performance.</li> <li>• Training is given to budget holders to ensure that they have an understanding of their role.</li> <li>• 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.</li> </ul>	

<p><b>KLOE 1.2 (understanding costs and achieving efficiencies)</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>	
<ul style="list-style-type: none"> <li>• 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.</li> <li>• Performance is closely related to costs, as this is specifically embedded within the contract terms for each major contract.</li> <li>• 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.</li> <li>• 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.</li> <li>• Levels and quality of service are directly related to corporate priorities to ensure that value for money is systematically considered.</li> <li>• The Council has a consistent record of identifying and delivering efficiency savings.</li> <li>• 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.</li> </ul>	

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

<b>KLOE 1.3 (financial reporting)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
<b>Key findings and conclusions</b>	
<ul style="list-style-type: none"><li>• Budget monitoring information is reliable, relevant and understandable, produced on a regular and timely basis, and prompt action is taken to address variances.</li><li>• 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.</li><li>• 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.</li><li>• The accounts approved by Council contained several non-trivial and material errors</li><li>• 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.</li><li>• 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.</li></ul>	

**Table 2 Governing the business**

<b>Theme score</b>	<b>2</b>
<b>Key findings and conclusions</b>	
<p>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.</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>	
<ul style="list-style-type: none"> <li>• There is a clear vision in place for local people which shapes the plans and activities of the Council and its partners.</li> <li>• 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.</li> <li>• It is investing substantially to deliver improved leisure facilities in the south of the district.</li> <li>• The Council has reviewed and redesigned its approach to service access.</li> <li>• 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.</li> <li>• The Council understands that its opportunity to influence and develop the market is strictly limited by its size and level of spending.</li> <li>• The Council has effectively evaluated and adopted alternative options for procuring services and supplies.</li> <li>• It has partnered with neighbouring authorities to deliver shared services.</li> <li>• The Council tests the competitiveness of key services, such as waste management, by direct competition in the market.</li> </ul>	

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

<b>KLOE 2.2 (data quality and use of information)</b> <b>Score</b> <b>VFM criterion met</b>	<b>2</b> <b>Yes</b>
<b>Key findings and conclusions</b>	
<p>A corporate Data Quality strategy is in place and further work is being undertaken to strengthen data quality across partnership working. 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. 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.</p>	
<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>	
<ul style="list-style-type: none"> <li>• The Council has established a sound foundation to demonstrate and promote the principles of good governance.</li> <li>• 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.</li> <li>• Every outcome in each of the eight Service Plans links directly to one of the corporate outcomes.</li> <li>• An appropriate framework is in place to ensure that members remain focussed on delivering priorities.</li> <li>• 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.</li> <li>• Effective arrangements are in place for the oversight of members' behaviour.</li> <li>• 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.</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>
<p><b>Key findings and conclusions</b></p>	
<ul style="list-style-type: none"> <li>• 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.</li> <li>• A Benefits Counter Fraud Strategy is in place, last updated and approved by the Audit and Risk Management Committee in December 2008.</li> <li>• 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.</li> <li>• Fraud is included as a risk within failure of internal control framework in the Council's risk register.</li> <li>• 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.</li> </ul>	

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

**Table 3 Managing resources**

<b>Theme score</b>	<b>2</b>
<b>Key findings and conclusions</b>	
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.	
<b>KLOE 3.3 (workforce planning)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
<b>Key findings and conclusions</b>	
<p>The Council:</p> <ul style="list-style-type: none"> <li>• is addressing the basics of workforce development effectively, with robust future plans in place to strengthen its approach in this area;</li> <li>• has developed an effective framework to ensure that its staff are fit for purpose in delivering its priorities and objectives;</li> <li>• has collectively compiled adequate information to plan its future workforce requirements effectively;</li> <li>• is undertaking a comprehensive Learning Needs Analysis (LNA) to establish a firm basis for future employee training and development corporately;</li> <li>• has a positive track record of effectively engaging staff in organisational change; and</li> <li>• 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.</li> </ul> <p>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.</p>	

## Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Audit Letter 2008/09 Recommendations</b>						
5	R1 Ensure that IFRS is delivered effectively, with all departments providing the operational and financial data needed.	3	Head of Resources	Yes	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.	30 June 2011

## Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R2 Monitor the financial position and ensure that financial and operational plans are co-ordinated, and regularly refreshed to reflect the changing economic conditions.	3	Executive Director	Yes	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.	On-going
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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# 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.

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