

# Annual Governance Report

South Northamptonshire Council

Audit 2008/09

Date

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# Contents

<b>Key messages</b>	<b>4</b>
<b>Next steps</b>	<b>6</b>
<b>Financial statements</b>	<b>7</b>
<b>Use of resources</b>	<b>10</b>
<b>Appendix 1 – Independent auditor’s report to Members of South Northamptonshire Council</b>	<b>12</b>
<b>Appendix 2 – Adjusted amendments to the accounts</b>	<b>15</b>
<b>Appendix 3 – Unadjusted misstatements in the accounts</b>	<b>18</b>
<b>Appendix 4 – Draft letter of representation</b>	<b>19</b>
<b>Appendix 5 – Use of resources key findings and conclusions</b>	<b>23</b>
<b>Appendix 6 – Action Plan</b>	<b>25</b>
<b>The Audit Commission</b>	<b>25</b>

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## Status of our reports

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

- any director/member or officer in their individual capacity; or
  - any third party.
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Ladies and Gentlemen

**2008/09 Annual Governance Report**

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

A draft of the report has been agreed with the Head of Finance.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before I give my audit opinion
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the errors in the financial statements I have identified, which management has declined to amend or set out the reasons for not amending the errors; (Appendix 3);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

Yours faithfully

Neil Bellamy  
District Auditor  
23 September 2009

# Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

<b>Financial Statements</b>	<b>Results</b>	<b>Page</b>
Unqualified audit opinion	Yes	7
Financial statements free from error	No	7
Adequate internal control environment	Yes	7
<b>Use of resources</b>	<b>Results</b>	<b>Page</b>
Use of resources judgements	Level 2	10
Arrangements to secure value for money	Yes	11

## Audit opinion

- 1 Our work on the financial statements is substantially complete, although there are some outstanding issues to be resolved. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them with the Head of Finance and Chairman of this committee. At this stage, subject to satisfactory resolution of the outstanding matters, we propose issuing an unqualified audit opinion.

## Financial statements

- 2 At this stage, we have identified three material error and four non-trivial errors. Management has agreed to amend the financial statements for all errors with the exception of the unidentified errors in the cashflow statement (see appendix 3).

## Use of resources

- 3 2008/09 was the first year of a new approach to our Use of Resources (UoR) assessment. As has been well publicised this is a different, broader and more challenging assessment than the previous approach. Overall, we assessed the Council as level two. This comprises a total of eight individual assessments - two of which were at level three and six were at level two.
- 4 This is a positive result for the Council, given the changed assessment method

## Key messages

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### Audit Fees

- 5 At this stage no changes to audit fee are proposed but the position will be reassessed following completion of the audit.

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# Next steps

**This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.**

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

- consider the matters raised in the report before I give my audit opinion
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the errors in the financial statements I have identified which management has declined to amend or set out the reasons for not amending the errors (Appendix 3);
- take note of the VFM Conclusion and Use of Resources findings;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

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# Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

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## Opinion on the financial statements

- 7 Our work on the financial statements is substantially complete, although there are some outstanding issues to be resolved. In particular:
- information from the County Council's pension fund auditor in respect of pension disclosures;
  - further information from the council's valuer regarding impairment, useful life of assets and basis of valuation for some assets; and
  - checking that the final version of the financial statements contains all agreed audit amendments.
- 8 Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them with the Head of Finance and Chairman of this committee. At this stage, subject to satisfactory resolution of the outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

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## Errors in the financial statements

- 9 Adjusted errors are summarised in appendix 2 and unadjusted errors in appendix 3. There are no material unadjusted errors at this stage.

### Recommendation

- R1** If the Committee decide to confirm management's decision not to amend the financial statements for the errors set out in appendix 3, provide reasons for the decision in the letter of representation.

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## Letter of representation

- 10 Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you.

### Key areas of judgement and audit risk

11 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

**Table 1** Key areas of judgement and audit risk

Issue or risk	Finding
Impact of the economic downturn (ensuring this is reflected in asset values).	Work in progress.
Accounting for major capital projects (e.g. CCC and Moat Lane) ensuring only appropriate expenditure is capitalised.	Work in progress.
Changes in recommended accounting practice (e.g. valuation of pension fund assets and clarification of the use of depreciated replacement cost (DRC) as a basis for certain assets valuations).	Incorrect inclusion of a prior period adjustment (see appendix 2). Awaiting confirmation from valuer in respect of assets valued at DRC.
Appropriateness of actuarial assumptions in respect of pension costs and related disclosures.	No matters arising.
Accounting treatment in respect of LSVT VAT shelter receipts.	No matters arising.

### Accounting practice and financial reporting

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

**Table 2**

Issue or risk	Finding
Valuation of assets.	The council did not issue formal written instructions or terms of reference to the external valuer when commissioning the valuation report. There is no evidence that the classification of assets or valuation basis has been reviewed and the valuation report did not include an assessment of the remaining useful life of assets. In addition, there is no evidence that the value of land and buildings has been

## Financial statements

Issue or risk	Finding
	separately identified.
Treatment of ICT assets.	The council's accounting policies include full depreciation of all ICT equipment in the year of purchase on the basis that they have a negligible resale value after the first year. However, the SORP requires depreciation to be allocated to the periods expected to benefit from the use of the assets. Assuming that ICT equipment has a useful life of more than one year (and hence meets the definition of capital expenditure), the cost/value should be depreciated in full over the useful life of the asset.
Building Control Account	The Council has disclosed a £226k deficit over a three year period to the 31st March 2009 on the building control account. Statutory requirements stipulate that charges must be fixed to break-even over a three year period.

Recommendation
<b>R2</b> Prepare a formal written terms of reference for the valuation of assets in future, ensuring that the valuation includes an assessment of: <ul style="list-style-type: none"><li>• appropriateness of the classification and valuation basis (particularly for assets valued at DRC)</li><li>• separate valuation of land and buildings; and</li><li>• assessment of the remaining useful life of all assets.</li></ul>
<b>R3</b> Review the accounting policy in respect of ICT assets. If the assets are genuinely determined to have a useful life of only one year then they should be charged to revenue in future.
<b>R4</b> Review building control fees to ensure the statutory requirement to break-even over a three year period is achieved in future.

# Use of resources

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

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

## Use of resources judgements

- 13** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 14** 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.
- 15** The Council's use of resources theme scores are shown in Table 3 below.

**Table 3** Use of resources theme scores

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

- 16** The Council's arrangements across all areas are sound. They meet minimum acceptable levels of performance and are consistent with established professional practice and guidance, meet statutory requirements and generally operate effectively. Across the theme areas there are some stronger performing aspects covering the Council's governance arrangements, risk management and internal control. Detailed findings and areas for improvement are in Appendix 5.

## Recommendation

- R5** Assess the areas for improvement in Appendix 4 and develop an action plan to strengthen arrangements in identified areas.

### Value for money conclusion

- 17** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 5.
- 18** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

# Appendix 1 – Independent auditor’s report to Members of South Northamptonshire Council

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## Opinion on the financial statements

I have audited the Authority accounting statements and related notes of South Northamptonshire Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of South Northamptonshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission..

## Respective responsibilities of the Head of Finance and auditor

The Head of Finance’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures

## **Appendix 1 – Independent auditor’s report to Members of South Northamptonshire Council**

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

### **Opinion**

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority’s Responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

### **Auditor’s Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper

arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, South Northamptonshire Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

**Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signed..... Date .....

Mr N Bellamy  
District Auditor  
Audit Commission  
Rivermead House  
7 Lewis Court  
Grove Park  
Enderby  
Leicestershire  
LE19 1SU

# Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and management has agreed to adjust the financial statements. I bring them to your attention to assist you in fulfilling your governance responsibilities.

**Table 4**

Adjusted misstatements	Nature of Adjustment	Income and Expenditure Account		Balance Sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Statement of Movement on the General Fund Balance (SMGFB)	The note of reconciling items for the SMGFB includes £800k 'unattached capital receipts transferred to capital'. This line is not compliant with the disclosure requirements of the SORP and should be reclassified as gains/losses on sale of fixed assets.				
Cashflow Statement	The Council has incorrectly categorised £469k in respect of revenue expenditure funded from capital under statute (REFCUS) in the capital activity section of the Cashflow Statement. Per the guidance in the SORP and LAAP bulletin 81, this should be re-categorised as revenue.				

## Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Cashflow Statement <i>Material error.</i>	The Council has incorrectly included a negative value of £9.34 million in relation to purchase of long term investments. This relates to investments that have simply been re-categorised from long term to short term and should not therefore have been included in the Cashflow Statement.				
Cashflow Statement	Write down of deferred charges of £470k has been incorrectly included in the reconciliation of net cashflow from revenue activities. Other errors have resulted in an overall unreconciled difference of £219k (see appendix 3)				
Prior Period Adjustments (PPA). <i>Material error</i>	The Council has disclosed four PPA's in the statement of accounts. All four have been reviewed in line with the requirements of FRS 3 and the SORP. It has been concluded that none of the disclosed PPA's meets the required definition and the adjustments should therefore be reversed. The most significant item relates to changes in the pension liability of £1.369 million. These errors impact on multiple items in the accounts.				

## Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Impairment of surplus assets. <i>Material error.</i>	<p>Impairment of surplus assets totalling £7.98 million has been incorrectly charged to Planning and Development services within the income &amp; Expenditure Account rather than Non-distributed costs.</p> <ul style="list-style-type: none"> <li>• Non-distributed costs</li> <li>• Planning &amp; Development</li> </ul>	7,980	7,980		

# Appendix 3 – Unadjusted misstatements in the accounts

The following misstatements were identified during the course of my audit and the financial statements have not been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities. If you decide not to do so, please tell us why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

**Table 5**

Description of error	Accounts effected	Value of error £Million
There are unidentified errors in the Cashflow Statement. An amendment has not been requested as officers have been unable to determine the nature of the error.	Cashflow Statement	0.219

# Appendix 4 – Draft letter of representation

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

## **South Northamptonshire Council - Audit for the year ended 31 March 2009**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of the Council and Councillors, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009. All representations cover the Council's accounts included within the financial statements.

### **Compliance with the statutory authorities**

I acknowledge responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the *Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* which present fairly the financial position and financial performance of South Northamptonshire Council and for making accurate representations to you.

### **Uncorrected misstatements**

I confirm that the effects of any uncorrected misstatements are not material to the financial statements, either individually or in aggregate.

### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all member meetings, have been made available to you.

### **Going concern**

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

### Irregularities

I acknowledge responsibility for the design and implementation of internal control systems to prevent and detect error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements;
- communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- our knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

### Law, regulations and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### Fair values

I confirm the reasonableness of the significant assumptions in the financial statements.

### Group entities and joint arrangements

I confirm that there are no material group entities requiring the preparation of group accounts and no material joint arrangements requiring inclusion in the financial statements.

### Assets

Where appropriate, the following have been properly recorded and disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

## Appendix 4 – Draft letter of representation

### Compensating arrangements

There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other credit arrangements other than those already disclosed in the financial statements.

### Contingent liabilities and capital commitments

There are no other contingent liabilities and capital commitments, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

### Related party transactions

I confirm the completeness of the information provided regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

### Post balance sheet events

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

### Other representations:

- The Council provided accurate information to the actuary for the purpose of calculating the required pension disclosures in accordance with FRS17.
- There are no known bad debts other than those already provided for in the financial statements.
- There are no known material weaknesses in internal controls not already disclosed in the annual governance statement.
- There have been no disposals of fixed assets during the year other than those recorded in the financial statements.
- All provisions and contingent liabilities have been identified and accounted for in accordance with FRS12 and the Local Authority Statement of Recommended Practice (SORP).
- All impairments to fixed assets have been identified and accounted for in compliance with FRS 11 and the Local Authority Statement of Recommended Practice (SORP).
- There are no known intangible assets.
- The Council's registers of interest are complete and up to date in respect of members and senior staff.

## Appendix 4 – Draft letter of representation

- The Council has ensured that all members and senior staff are aware of the requirement to declare all interests relevant to the Council, including interests of families, partners and entities controlled by them.

*[Please insert paragraph regarding unadjusted misstatements in the Cashflow Statement.]*

I confirm that this letter was discussed and agreed by members of the Audit Committee at its meeting on 23 September 2009.

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Head of Finance – signed on behalf of South Northamptonshire Council

# Appendix 5 – Use of resources key findings and conclusions

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

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**Table 6**      **Managing finances**

<b>Theme score: 2</b>
<b><i>Key findings and conclusions</i></b>
<p>Financial management is adequate:</p> <ul style="list-style-type: none"><li>• Financial, corporate planning and risk management are timely and linked with improvement plans. Corporate priorities reflect the most important improvement areas. Key improvement plans are resulting in small improvements in performance, e.g. in speed of processing planning applications.</li><li>• Financial stability was maintained by a good response to the economic downturn. A zero based budget reduced risks and shifted resources from low to high priorities.</li><li>• Consultation with stakeholders on financial planning is minimal.</li><li>• There is a good track record of managing spending within available resources and the Council is financially sound over the medium term. There is appropriate individual and collective responsibility for financial management, a good understanding of procedures and level of challenge of financial assumptions.</li><li>• There is a good understanding of the costs of some services and where available it is used by managers. Costing information is of a reasonable quality to support decision making.</li><li>• The use of benchmarking information is limited.</li><li>• Efficiency targets over the last three years were exceeded with notable success in reducing the cost of waste management services.</li><li>• Budget monitoring is generally sound. Internal audit review of budgetary control and reporting provided satisfactory</li></ul>

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

<p>assurance that systems produce accurate and reliable data.</p> <ul style="list-style-type: none"> <li>• Integrated reporting of financial and performance information supports effective Member decision making.</li> <li>• The accounts audit commenced on 10 August. The council’s financial statements comply with all the statutory and regulatory requirements and meet the relevant accounting and reporting standards, <b>subject to amendment of three material errors.</b></li> <li>• Accounts closedown is generally efficient although last-minute amendments were required prior to approval by members and a significant proportion of audit working papers are prepared after approval.</li> <li>• Preparations for IFRS are adequate.</li> </ul>	
<b>KLOE 1.1 (financial planning)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
<b><i>Key findings and conclusions</i></b>	
<p>Links between financial, corporate planning and risk management are timely and linked with improvement plans. Corporate priorities reflect the most important areas for improvement. Production of improvement plans for key areas and supporting strategies such as those for Homelessness and Customer Access/Service Strategy strengthened the strategic approach to service delivery and underperformance. However, there is little evidence that investment in priority areas has clearly led to improved outcomes. Top priorities and activities are distinguished, and links between corporate priorities, business plans and personal objectives clear. Members’ away days focused on priorities including strategies to deal with finance and the economic downturn. Managers also clearly contribute to the planning process, for example, by identifying the reduction in income due to the economic downturn and the need to amend budgets. Financial and Corporate planning processes are linked to risk management by: risk assessment of budget growth items; corporate plans feeding into business plans containing divisional risk registers; and a corporate risk and opportunities register. Zero based budgets reduce financial risks and enabled the council to shift resources from low to high priority areas. For example, budget lines for contingencies were removed and all costs such as consultant costs, subscriptions and expenses reviewed and removed or reduced where possible. The capital programme is linked to priorities and the service improvements required for each project are set out. The Annual Governance Statement and Audit Committee ensure risk management is integrated with key decisions and plans.</p> <p>Consultation with the local community and other stakeholders on financial planning is minimal. The council consults only with local businesses but a broader consultation framework is developing. Equality impact assessments were undertaken</p>	

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

in the key areas of concessionary travel and the new arrangements for 'Ways to Pay' and the results fed into the medium term financial strategy. The finance sub-group of the CDRP exchanged information with the council. Place survey results informed priority setting for 09/10.

There is a successful track record of managing spending within available resources and the council is financially sound over the medium term. It has operated within its budget for several years and remained debt free whilst improving value for money. Spending is targeted towards service improvement priorities whilst maintaining good or adequate quality of services. The impact of the financial downturn on securing continuous improvement was limited by planned adjustments to budgets and activities. Sound treasury management ensured that there were no investments in foreign banks and two long term investments are providing a rate of return well above the current interest rate. The loss of income from reduced interest on other investments and reduced fees/income from services were managed by adjustments to the medium term financial strategy, budget re-mapping, and a zero-based budgeting exercise.

There is appropriate individual and collective responsibility for financial management, a good understanding of financial procedures and a good level of challenge of financial assumptions. The 2009/10 budget setting process and zero based budget review resulted from close working between officers and members. This required a good understanding of the financial environment and effective scrutiny and challenge. Financial training requirements are identified in the performance management system and budget holders can request specific financial training. Accountancy meet regularly with non-finance budget holders to support their budget responsibilities. The audit committee considers internal audit reports where there is a limited assurance or where high priority recommendations are made to ensure significant issues are reported to cabinet and relevant committees. The audit committee closely monitors progress of audit recommendations.

### *Areas for improvement*

- Demonstrate performance improvements linked to financial investments in priority areas.
- Engage stakeholders, including the public, in proposed spending decisions.

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

**Score**

**2**

**VFM criterion met**

**Yes**

### ***Key findings and conclusions***

The council has a good understanding of the costs of some of its services and the impact on performance and has achieved some efficiencies.

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

Cost analysis data is available for legal, environmental and planning services which are regularly used by some managers. For example, the legal team charge their time by the hour and keep records of time spent on each piece of work. The planning department have an access database (Armadillo) on which records on the costs and numbers of types of planning applications are kept. Managers use this to analyse trends and make forecasts of future income. A thorough review of land charges was undertaken to obtain a better understanding of the cost drivers and to create a fair charge to the public. The review resulted in a decrease to the land charges. A similar project is planned in a fees and charges project to address the lack of comprehensive information on cost drivers.

Costing information is of a reasonable quality to support the decision making process. The MTFs requires whole-life costing information to be used to support decisions for large projects, for example in the decision to switch to using leased vehicles to provide the refuse collection service; this resulted in a significant reduction in costs while maintaining the same level of service. Officers have an understanding of the potential impact of cost variances on services but need a better understanding of its impact on service quality. The council makes use of scenario planning to support decision making, for example evaluating the cash flow options for funding the Moat Lane redevelopment.

The implementation of 'New Ways to Pay', the cashless payment system, is an example of how the council has successfully introduced planned efficiencies. The introduction has led to back office efficiency savings and has improved the service by offering greater access to residents through a greater choice of payment locations for example at rural post offices. The recent organisational development review provides greater capacity for the council to deliver more efficient services in the future.

The use of benchmarking information is limited and tends to be based on comparisons with a neighbouring authority. The council has not expanded the range of comparators used to include other similar authorities as a useful source of information on pricing and costing and to help challenge the decision making process. There are plans to formalise benchmarking clubs in 2009-10.

Efficiency targets over the last three years were exceeded by saving £2.15 million against a target of £0.94 million with notable success in reducing the cost of waste management services.

### *Areas for improvement*

- Continue to develop arrangements for understanding costs and the impact on services, particularly service quality.
- Expand the use of benchmarking.

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

**Score**

**2**

**VFM criterion met**

**Yes**

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

### **Key findings and conclusions**

Budget monitoring arrangements are adequate. The corporate management team rely on quarterly reports to monitor budget variances but more frequent high level monitoring is being introduced to support monthly corporate management meetings. The month-end closedown time of 10 working days could be shortened to allow budget holders to assess variances earlier and provide opportunity for more prompt action to be taken. The recent internal audit review of budgetary control and reporting arrangements provides satisfactory assurance that the system produces accurate and reliable data.

Financial information systems are accessible and support service managers to access and monitor information.

Accountancy provides support and training to assist budget-holders in using the accounting system. Heads of service are encouraged to take the lead in promoting individual budget holders responsibility to ensure ownership at all levels. The integrated approach to the reporting of financial and performance information supports effective decision making at Member level. Regular meetings with finance and performance officers ensure that performance information is integrated into the financial reporting process. Quarterly monitoring reports adopt a “traffic light” approach, linking financial reporting information and key risks identified in the annual budget and medium term financial plan and to specific performance indicators. This assists identifying the impact of decisions on outcomes.

The 2008/09 accounts audit commenced on 10 August. Based on the previous year's audit and on an overview of the current year's closedown arrangements the council's financial statements comply with all the statutory and regulatory requirements and meet the relevant accounting and reporting standards. The 2008/09 accounts were approved on 30th June by the council's audit committee. The draft statements issued to members prior to the 30th June were replaced by a second draft incorporating several minor amendments and a significantly revised cash flow statement. Working papers were available to support the notes to the accounts at this time but none in support of the main statements. The remaining working papers were provided at the start of the audit. Audit work on the statements has identified three material errors relating to a prior period adjustment and misclassifications in the Income and Expenditure Account and Cashflow Statement. There were also weaknesses in respect of the council's arrangements for the valuation of assets. Members were involved in the scrutiny of the draft statements and took part in a questions and answers session chaired by the Head of Finance prior to the 30th June audit committee. Throughout the year officers have been proactive to ensure an efficient accounts closedown producing a detailed plan assigning individual officer responsibility and deadlines. Early consideration has been given to the correct accounting treatment of the Moat Lane redevelopment project.

Steps have been taken to prepare for the IFRS implementation and include participation in a countywide group consisting of other local authorities to provide support and advice.

The 2007/08 statement of accounts is on the council's website but this is not accompanied by a copy of the most recent annual governance report or annual audit and inspection letter. All publications are available in alternative formats on request including different languages, audio and Braille format. This service is advertised on the website and on the

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

insider cover of hard copies. A summary set of accounts is posted on the website after the audit opinion has been issued. The annual review published in the spring will incorporate the summary set of accounts sent to every household (i.e. the 2008/09 accounts will appear in the 2009 annual review published in Jan 2010). This is a format that has been used for the past 3 years and public satisfaction surveys have indicated this is a popular format.

### *Areas for improvement*

- Shorten the month-end closedown time to allow budget holders to assess variances earlier and provide an opportunity for more prompt action to be taken when necessary.
- Continue to improve accounts closedown arrangements to minimise the risk of errors and late adjustments. All working papers should be prepared and available for review prior to approval.
- Ensure the annual governance report and annual audit letter are published on the council's website alongside the relevant statement of accounts.

**Table 7**      **Governing the business**

<b>Theme score: 2</b>	
<b><i>Key findings and conclusions</i></b>	
<p>Governance arrangements are adequate overall.</p> <ul style="list-style-type: none"> <li>• There is a clear overall vision and priorities based on needs assessments.</li> <li>• Procurement is effective and supports objectives and there is a reasonable understanding of the supply market illustrated by the in depth analysis used in the development of major projects. However, stakeholders are not fully involved in all parts of the commissioning process.</li> <li>• Service reviews identify value for money improvements. A new call centre and shorter planning validation times have improved the customer experience.</li> <li>• The production of relevant and reliable information to support decision making and manage performance is adequate. Spot checks of performance indicators produced mixed results. Resources targeted to improving the waste indicator resulted in good data quality. Planning indicators, which did not receive similar resources showed only adequate</li> </ul>	

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

arrangements.

- The council performs well in promoting and demonstrating the principles of good governance. The published constitution sets out individual roles and responsibilities and the scrutiny function. There is good cooperation between staff and members to achieve objectives. A standardised format is used to ensure a co-ordinated corporate approach to delivery.
- The ethical framework is sound.
- The council has sound governance arrangements in place for its main partnerships. There have been reviews of aspects of partnership working to learn lessons and mitigate risks.
- Effective risk management processes are in place to identify key business/strategic and operational risks. Key risks arising from partnership working are also identified but this is not part of a joint register.
- The risk of fraud and corruption at the council is low and the council’s arrangements are good in addressing this risk.
- There is a good system of internal control supported by internal audit and the audit committee.

### **KLOE 2.1 (commissioning and procurement)**

**Score**

**2**

**VFM criterion met**

**Yes**

### ***Key findings and conclusions***

The council has a clear overall vision and priorities for its local community and shapes services and development plans based on assessments of specific areas of need such as housing or open spaces. Strategic level analysis of inequalities and diversity information and community needs, however, are not used to inform commissioning priorities. Research has been commissioned to address this gap. The Mosaic Package (demographic profiling) was jointly commissioned to inform needs assessment. The council does take opportunities to influence other providers where a local need should be addressed and this has resulted in improved access in some areas such as youth services. The strategic objectives are not translated into clear commissioning priorities. The commissioning and procurement strategy and action plan is focused on process.

Local people, partners, staff and suppliers are not fully and consistently involved in all parts of the commissioning process or service redesign. The council has a clear consultation programme to reflect priorities and services and has a range of user groups which are consulted on developments and reviews of management arrangements along with key partners. Examples of involvement of service users who are difficult to engage are isolated. Improvement plans for Community Engagement are refocused by the Customer Services Framework and Customer Access Strategy currently subject to

consultation.

The customer experience is improving as a result of a new customer contact centre. Customers also benefit from significantly shorter planning validation times. Investment and efficiencies in IT supports the achievement of business priorities pulled together by the appointment of an IT manager. A new land and property gazetteer is implemented and integrated with the Academy finance system. A tender is in place for a new Customer Relationship Management system.

There is a reasonable understanding of the supply market illustrated by the in depth analysis used in the development of major projects such as the Towcester Master Plan and routine procurement of stationery and mobile phones. Where appropriate, support is given to providers to develop capacity and to develop the third sector. Additional funding was given to the Leisure Trust to enable them to secure match funding. Plans are progressing to transfer third sector funding to a joint Daventry and SNC agency to improve support.

Procurement also supports other objectives and is responsive to demand. The switch to all “green” electricity has led to CO2 reductions. Increased investment in the debt counselling service is a response to the economic pressures. Parkland was purchased to increase green spaces to meet residents’ needs.

Different options for procurement are considered and evident in a joint feasibility study with a neighbouring council for building control services or shared pest control services.

The value for money of services is considered through reviews carried out on an exception basis and identified in business plans. Waste rounds are currently under review with a view to reduce and reconfigure the service. Development control is subject to a similar service improvement plan. Performance benchmarking is used in some area such as revenues and benefits to identify competitiveness. Some reviews cover wider benefits such as energy efficiency.

*Areas for improvement*

- Translate strategic objectives into clear commissioning priorities informed by analysis of equality and diversity information and community needs.
- Ensure that all stakeholders (including “hard to reach” groups) are systematically involved in the full commissioning cycle so that they influence how services are delivered as well as what services.
- Develop shared commissioning with partners so that services are increasingly customer focused, integrated and accessible.

**KLOE 2.2 (data quality and use of information)**

**Score**

**2**

**VFM criterion met**

**Yes**

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

### **Key findings and conclusions**

A standard operating framework is in place. There is a corporate focus on data quality (DQ) and DQ objectives are part of Corporate Business Plans. An Improvement Planning Group reviews and monitors performance and data quality. Leadership on DQ issues is at a senior level and performance management is embedded in the remit of members and a lead portfolio holder. Data quality is not distinct in the corporate risk register and there has been no formal audit. The 2008/09 spot checks of performance indicators produced mixed results. The performance team targeted resources in year to improving the data quality of the waste indicator. However, the planning indicators, which did not receive similar resources showed only adequate DQ arrangements. Significant steps have been taken to improve housing benefit indicators, the outcome of which should become evident during 2009/10. Systems which enable the effective management of performance and improvement are being strengthened. The implementation of the Performance Plus management system is nearing completion. Work with partners in the Northamptonshire Performance Improvement Network and the Communities of Practice put a focus on data quality and data sharing issues. There is a draft partnership data sharing agreement.

There is a clear decision making 'hierarchy' within the council and members and officers receive appropriate levels of information. Reports are regularly reviewed and tailored to the purpose of the report and the requirements of committees. Discussions with each committee link officer and chair ensures the format supports decision making requirements. Trend and forecasting data is used to inform significant service changes and budget reductions in areas such as waste management and planning performance. Data and information used to support performance management is stored on Performance Plus enabling the information to be accessed from one source. Information is posted on the intranet and officers are referred to committee reports to prevent multiple collation of information.

The main server is routinely tested as the main business critical system. Other systems are not subject to regular testing. There is however an Emergency Planning Group which is introducing advanced arrangements to protect critical information such as disaster recovery for all systems. A range of data security and compliance policies are in place to ensure statutory requirements are met and include: use of e-mail and internet, information security policy, data quality strategy, Freedom of Information policy and publication scheme and Data Protection policy. No security breaches have been reported.

Data is linked to the achievement of corporate priorities. The format of the performance plan is reviewed annually with the involvement of the communications panel. Major partnerships and some service areas such as waste management have performance targets. Reporting of progress against strategic priorities and key projects to senior management and members is an integral part of quarterly monitoring arrangements. The content of reports is reviewed to ensure it remains useful and informative. The IPG reviews performance and achievements with divisional management teams and targeting has improved performance, for example in revenues and benefits and building control.

*Areas for improvement*

- Include data quality in the risk register and consider undertaking periodic audits.
- The performance team should target resources at improving other priority indicators such as planning to improve management arrangements and reliability of data.
- Finalise the partnership data sharing agreement.

**KLOE 2.3 (good governance)**

**Score**

**3**

**VFM criterion met**

**Yes**

***Key findings and conclusions***

The council performs well in promoting and demonstrating the principles of good governance. Individual roles and responsibilities and the scrutiny function are set out in the constitution. The scheme of delegation and reserve powers were revised to reflect changes arising from the ODR and clarify member’s portfolios. Member attendance at development sessions could be higher. The relationship between members and officers/staff is good and each is clear on their role to provide leadership and direction and robust delivery arrangements respectively. Regular meetings are held between the Chief Executive, leader and deputy and Directors meet with portfolio holders and present reports to them. Joint planning between the cabinet and executive team determines approaches to key issues such as the budget/economic downturn ('Affordable Excellence') where live financial models were debated and work streams agreed. The approach has attracted positive interest from other councils.

The council has a clear vision of what it wants to achieve for its community and there is good cooperation between staff and members to meet objectives. Cabinet away days are used to set priorities in discussion with officers. Corporate priorities were reviewed in 2008 to: ensure they still reflect the improvement areas identified as important to the council; distinguish priorities, goals and activities; and focus strategy on long term service delivery and known areas of under performance through improvement plans. Staff are made aware of the priorities through divisional briefings and from April 2009 the priorities were made part of the appraisal process. The ODR increased strategic and operational management capacity to effectively address key priorities. Business plan priorities are discussed in the Executive team meetings to ensure they drive operational delivery. A standardised format is used to ensure a co-ordinated corporate approach to delivering priorities with minimal local variations where appropriate. Discussions in late 2008/09 by the Executive Team were focussed on making sure plans were joined up with simple action plans for priority initiatives, especially where delivery affects more than one Business Plan, with the focus on timing, resources and risk issues. Also to ensure all plans

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

address the Sustainable Communities Strategy and actions relating to that including targets. The ethical framework is sound. The council has adopted member and staff codes of conduct. A standards committee is in place with the new assessment regime and criteria, although some of the best practice is yet to be adopted. The ethical agenda is actively promoted. Code of conduct training is used to raise the ethical profile. Equalities training was provided to Members, full Cabinet and officers. Compliance reports are in the monitoring officer's annual report and regular monitoring occurs on areas such as the register of interest, standing orders and financial regulations. There are examples from the development of the Silverstone (race circuit) project brief and presentations and reports from the Youth council illustrating how information is disseminated to local people. Whistle blowing arrangements are covered in induction and accessible on the intranet. Details of how to complain are on the internet and in leaflet form. Members of the council display behaviour associated with good governance. There are no recent Standards Board cases for SNC, a low level of complaints and no track record of unethical behaviour/incidents

The council has sound governance arrangements in place for partnerships. A partnership survey gave positive support for senior management and members in their role in partnerships and highlighted the 'good reputation' of senior managers and members. The council is jointly represented on key partnerships to ensure continuity and involvement of members. The LSP and other partnerships have documented governance arrangements and the LSP is chaired by the council leader. The voluntary sector has a clear role in the LSP and sub groups, is a member of the CDRP and signed up to the SCS. The merged CDRP is a good model of arrangements with joint processes and initiatives and the flexibility to focus on SNC specifically to maintain its good performance in community safety. The model of joint working groups is being used to inform the development of children and young people's services. Internal audit have reviewed some partnerships to learn lessons and mitigate risks, including a report on the policing of Silverstone and a review following the transfer out of housing, resulting in an overarching body being put in place.

### *Areas for improvement*

- Ensure the Standards Committee meets best practice principles established by the Standards Board for England.

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

**Score**

**3**

**VFM criterion met**

**Yes**

### ***Key findings and conclusions***

The management of risk and the systems of internal control are good. Effective risk management processes are in place to identify key business/strategic and operational risks. Corporate and Divisional risk registers are developed and maintained through an established system involving all staff. The 'risks and

opportunities' register is actively reviewed by the audit committee and links are made between business risks and strategic objectives. The Cabinet approves the risk management strategy as part of the medium term financial strategy. Risks are formally assessed for all major projects. Risks arising from formal contractual arrangements are restricted to issues of non compliance with the contract. Key risks arising from partnership working are identified through internal discussion or the partnership development process and recorded in divisional risk registers but this is not through the use of a joint formal process. The council undertakes activities with partners to mitigate these risks where identified and reduce the potential impact.

The risk of fraud and corruption at the council is low and the council's arrangements are good in addressing this risk. Training is provided to all new starters and the anti-fraud and corruption strategy is communicated to existing employees through the staff intranet. There is evidence that communication has been effective; recent reported incidents by staff have led to further investigations. In the last year internal audit has been instructed to investigate two suspected cases of fraud raised through the whistleblowing procedure. The council has a policy of targeted communication to reinforce the council's zero tolerance attitude to fraud and corruption. The council focuses its resources in the biggest risk area of housing and council tax benefits which is supported by a dedicated fraud and investigations team driven by a specific business plan which is updated annually. The investigations team make use of external resources such the Housing Benefits Matching Service and the National Fraud Initiative and has been successful in bringing prosecutions and recovering overpaid benefit in the year. The outcome of two recent investigations has been reported in the local press and highlighted by the chair of the audit committee. A housing benefits newsletter is produced twice a year targeted at benefit officers but available to all staff. The council should look to put in place arrangement to monitor the risk of fraud and corruption with its partners.

There is a good system of internal control supported by an effective internal audit and an audit committee that delivers all core functions as defined by CIPFA. Internal Audit provided full or satisfactory assurance on all key financial systems and present regular update reports to the audit committee to ensure members are aware of key internal control issues. The audit committee review all high priority recommendations and all limited and partial assurance audit reports. The committee monitors progress in implementing recommendations and ensure managers take timely, appropriate action to address internal control issues. The committee are involved in producing the internal audit plan which has clear links into the corporate risk register. As a direct result of identified internal control issues members requested internal audit to undertake additional work in the year on the South Northants Homes contract. The Audit Committee has a positive impact on the council and have recommended that all committees undertake an annual review of effectiveness and present this to full council. The previous year's annual governance statement included a clear statement of actions taken to address internal control concerns. The Audit Committee has a balanced membership which is representative of the council as a whole.

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

### Areas for improvement

- Put in place arrangement to monitor the risk of fraud and corruption with its partners.

**Table 8 Managing resources**

<b>Theme score: 2</b>	
<b>Key findings and conclusions</b>	
<p>Management of resources is adequate.</p> <ul style="list-style-type: none"> <li>• The completion of the Organisational Development Review (ODR) has ensured the structure, skills and capacity of the workforce, particularly at a senior level, meets the council's immediate needs and supports the achievement of the strategic objectives.</li> <li>• Performance management of staff is customer focused and linked to priorities and divisional objectives.</li> <li>• The current workforce plan is short term and in need of updating to reflect changes in strategic objectives and the revised workforce structure.</li> <li>• Workforce planning is not completed in partnership but there are examples of joint working which result in efficiencies.</li> <li>• The council has policies and practices in place including diversity practices which support good people management and the minimum requirements of equalities legislation and duties. Actions to build a diverse and representative workforce are limited.</li> </ul>	
<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 completion of the ODR has ensured the structure, skills and capacity of the workforce, particularly at a senior level, meets immediate needs and supports the achievement of strategic objectives. More detailed work to identify and address gaps in skills at service level is at an early stage. Career grade/trainee posts and a Post Entry Qualification Scheme are</p>	

used to develop talent. The performance and effectiveness of individual staff is maintained through an appraisal and development system and corporate and individual training plans which reflect aims and values. Performance management of staff is customer focused and linked to priorities and divisional objectives. Staff and team achievements are celebrated in briefings, newsletters and a team challenge. Improvements in controls have led to a reduction in the days lost to sickness, although a further reduction is a council target. The health of employees is supported by access to a stress counsellor, free medicals and subsidised access to a leisure centre. There is a limited use of innovative recruitment processes and the council does not target specific under represented groups. There is a small degree of benchmarking of staff costs to identify efficiency savings.

The current workforce plan is short term and the supporting action plan was updated. The strategic objectives have since changed and the ODR has resulted in a revised workforce structure. The workforce plan is to be updated to address these changes as a priority. Systems are in place to provide the data and information required to produce plans. Workforce planning is not completed in partnership but there are examples of joint working which result in efficiencies. A shared resource in Pest Control services has increased the value for money of the service and efficient use is made of planners through their secondment to the Joint Planning Unit. The joint procurement arrangements (NAPS) has strengthened processes and led to efficiencies in procurement.

Through its management of the ODR a systematic and planned approach to managing the workforce implications of organisational change is demonstrated. The completion of the ODR has provided a renewed focus on agreed priorities and improvements in key areas of under performance such as planning. Staff were involved through the Change Management Group and were well supported throughout the process. Methods of communication with staff are established and broad ranging and enable two-way feedback. Individual staff concerns about the ODR were covered by a broad range of methods. Change management training was provided. The Council has learnt from the ODR and recognised the benefits by completing an end of project report, considered by key committees.

Policies and practices are in place including diversity practices which support good people management and the minimum requirements of equalities legislation and duties. Consistent implementation is promoted through the annual training plan which incorporates corporate priorities and individual development. The equalities action plan has resulted in some outcomes to support the Council's aim to be an 'achieving' authority within the revised equalities framework. Actions to build a diverse and representative workforce are limited. Recruitment is not currently directed to any specific groups as the council plans to analyse the detail of local demographics. Staff satisfaction surveys are not regularly used. A 'year on' review of ODR is to be carried out in 2009.

### *Areas for improvement*

- Update the workforce plan in consultation with partners to reflect revised corporate priorities and identified skill gaps.
- Continue to develop strategies for achieving a diverse and representative workforce.

# Appendix 6 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Governance Report 2008/09 – Recommendations</b>						
	R1. If the Committee decide to confirm management’s decision not to amend the financial statements for the errors set out in appendix 3, provide reasons for the decision in the letter of representation.	3	Audit Committee			
	R2 Prepare a formal written terms of reference for the valuation of assets in future, ensuring that the valuation includes an assessment of: <ul style="list-style-type: none"> <li>• appropriateness of the classification and valuation basis (particularly for assets valued at DRC)</li> <li>• separate valuation of land and buildings; and</li> <li>• assessment of the remaining useful life of all assets.</li> </ul>	3	Head of Finance			
	R3 Review the accounting policy in respect of ICT assets. If the assets are genuinely	2	Head of Finance			

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	determined to have a useful life of only one year then they should be charged to revenue in future.					
	R4 Review building control fees to ensure the statutory requirement to break-even over a three year period is achieved in future.	2				
	R5 Assess the areas for improvement in Appendix 4 and develop an action plan to strengthen arrangements in identified areas.	3				

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# The Audit Commission

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