

Annual Audit Letter

Harborough District Council

Audit 2008/09

December 2009



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Status of our reports

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

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

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

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 one that was 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 audit 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 assess 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 needed some of your services more, but at the same time your income levels dropped. You have identified a gap between the money you predict you will have available and what you intend to spend. You have looked closely at your spending plans to see if these can be reduced and how this will affect your priority services.
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Organisational assessment

- 6 You are performing adequately. You are making reasonable progress in tackling things that local people see as important. Crime is reducing, for example, and people are being helped to take more exercise. The amount of waste being recycled is amongst the best in the country. Affordable homes for people on low incomes to rent or buy are being built, but overall there are not enough new houses to meet the district's needs, and disabled people wait too long for their homes to be adapted. The Council's original plans couldn't all be completed when it realised that it needed to make savings of £1.2 million in this year's budget. It may not have enough staff and money in future to do all it wants, but councillors and staff are working well together to make sure spending stays on track. The Council needs better plans to make sure it has the right staff with the right skills in the long term.

Financial statements and annual governance statement

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

Significant issues arising from the audit

- 7 Your financial statements contained one material and a number of smaller misstatements which you corrected. In addition the HRA, a statutory account, had been totally omitted. Once this was drawn to the Deputy Chief Executive's attention an HRA account was provided to us. We also agreed a number of presentational amendments which we have summarised in a report to your officers.
 - 8 There were also three unadjusted misstatements, as set out in the Annual Governance Report I presented to the Accounts 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.
 - 9 In particular I wish to draw members' attention to the Council's treatment of VAT shelter income. The view from the Audit Commission is that the income is a capital receipt and that it is incorrect to treat it as revenue. However, I do not consider the uncertainty to be material to the statement of accounts as at March 2009, but of course this is likely to change in forthcoming years.
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Material weaknesses in internal control

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

- 12 I considered the qualitative aspects of your financial reporting and reported a number of items to you in my annual governance report, the most significant of which was that detailed in paragraph 9 above.

13 Other issues included:

- introducing a formal de-minimis level for capital expenditure. This will assist in ensuring that expenditure is correctly classified, particularly the distinction between revenue and capital expenditure; and
- ensuring audit returns relating to related party transactions are received from all members before the accounts are compiled.

International Financial Reporting Standards (IFRS)

- 14** International Financial Reporting Standards (IFRS) will apply to local government for the 2010/11 published accounts. These will include comparative figures for 2009/10. This means that the Council needs to be in a position to provide the necessary financial and operational information from 1 April 2009.
- 15** I have reviewed the Council's plans for transition to IFRS. I know that you are currently planning for the mandatory introduction of International Financial Reporting Standards but due to recent staff changes in the Finance Department this has started later than in other councils. The recently appointed Financial Services Manager is now taking this forward but there is still significant preparatory work to be done. It is likely to include 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.

Recommendation

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|--|
| R1 Ensure that the necessary resources and support are made available to the Financial Services Manager to enable the successful transition to IFRS to be made. |
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Financial position

- 16** 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.
- 17** 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.
- 18** You identified a shortfall in your available funds of £1.2 million and you have taken the difficult decisions necessary to close this gap, following the Business Priorities and Efficiency Review (BPER) project. However in doing this you have aimed to protect front line delivery of services and high priority services.
- 19** 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.

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

- 20** 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.
- 21** 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.
- 22** 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

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- 23** Your arrangements across all areas meet minimum acceptable levels of performance, are consistent with established practice and guidance, meet statutory requirements and operate effectively. Whilst I have assessed all KLOEs as 2, there are within these 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.

VFM conclusion

- 24** 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.
- 25** 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.

Managing performance

- 26** 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.
- 27** You score 2 out of 4 for managing performance. You know that crime, affordable housing, and energy efficiency are important to local people and are improving these things.
- 28** Crime is low and reducing due to good work with the police and local people. People are being helped to lead healthier lives. Close work with the NHS locally means that GPs refer people to leisure centres for exercise. You have responded quickly to the recession, providing additional help for people worried about debt.
- 29** You generally work well with other public services locally and across the county. They have agreed plans based on what local people say is important and they are generally clear about who is responsible for doing what. You have meetings with local people and improve things that they are concerned about. Overall satisfaction with the Council is about average. You help some vulnerable people but aren't sure that you are reaching all the most needy. Disabled people wait too long for their homes to be adapted. You have started to look at improvements jointly with other councils but it is too early to see any results yet. You need to find out who is in most need and make sure that help reaches them quickly.
- 30** While sufficient homes for people on low incomes to rent or buy are being provided, not enough homes are being built to meet overall demand. You are good at helping people at risk of becoming homeless. A lot of household waste is recycled and this is increasing.
- 31** You have coped well with having to manage with less money. This led to redundancies and some cuts in services, leaving you unable to complete all your plans. You improved some things, like the new website, but other changes were delayed.
- 32** As you are still unlikely to have enough staff and money in the future for all your plans, you need to move more quickly to find other ways of working including shared services with other organisations.

Organisational assessment

- 33** 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.
- 34** Your Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Leicestershire, Mary Perry.

Closing remarks

- 35** I have discussed and agreed this letter with the Chief Executive and the Deputy Chief Executive Director (S151 Officer). I will present this letter to the Executive on 18 January 2010.
- 36** 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	June 2008
Annual Governance Report	September 2009
Audit Opinion	September 2009
Pre and post statements audit report (draft)	December 2009

- 37** We agreed an additional fee to deliver the audit in addition to the fee agreed at the start of the year. as summarised below.

Table 3 Audit fees

	Actual £	Proposed £	Variance £
Financial statements and annual governance statement	67,675	64,005	+3,670
Value for money	34,310	34,310	
Total audit fees	101,985	98,315	+3,670
Inspection	5,972	5,972	
Total	107,957	104,287	+3,670
Certification of claims and returns	26,258	28,500	-2,242

38 The additional fee resulted from extra time we needed to spend on:

- consideration of the accounting treatment of the VAT shelter;
- consideration of the need for group accounts;
- responding to queries from local government electors; and
- the audit of the HRA (not included in our original plan).

Independence

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

40 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.

Neil Bellamy
District Auditor
December 2009

Appendix 1 – Use of resources key findings and conclusions

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

Table 1 Managing finances

Theme score	2
Key findings and conclusions	
<p>The Council manages its finances adequately overall. Its focus has been balancing a potential budget deficit of £1.2 million while maintaining services rather than using financial management to improve services. The MTFP reflects the strategic objectives and priorities over the next three years. There is little direct involvement of the public in financial planning or what public financial reports should contain. Variations in financial performance are identified promptly and corrective action taken. Debt collection and recovery could be strengthened further.</p> <p>The Council has a sound understanding of costs overall and has a strong culture of managing tight budgets and keeping costs low and as a result there has been less of a focus on improving performance. VFM is adequate. The Council has achieved efficiency savings.</p> <p>The Council's draft accounts did not fully comply with statutory requirements as the HRA was omitted. The Council has published its 2008/09 annual report and annual audit letter on its website and the annual accounts will be published by 30 September 2009.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.1 (financial planning)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>Integrated Financial Planning</p> <p>The Council integrates its financial and corporate planning processes adequately and the 2009/10 approved budget flows from the approved 2009/10 MTFP and asset management plan. Managers contribute to the planning process and have a satisfactory understanding of their roles and responsibilities. The Council sets a comprehensive and balanced budget based on realistic assumptions. In 2008/09 a £1.2 million deficit was identified and the Council has taken difficult decisions to eliminate this deficit. An adequate treasury management strategy is in place for 2008/09 which fulfils the CIPFA code of practice and prudential code. The Council set a soundly based policy on the level of reserves and balances, but it has breached this in 2008/09 and continues to do so into 2009/10. The risks associated with this have been considered by members and the breach will be remedied once the transfer from the HRA is finalised. The Council approves the annual budget on a timely basis.</p> <p>Medium to long term financial planning</p> <p>Previous delays in the production of the MTFP have been resolved and it reflects the strategic objectives and priorities for the year, and over the next three years. It states the assumptions upon which the plan is based and takes account of both local and national priorities but there is little evidence of modelling or scenario planning. Members have been heavily engaged in the MTFP approval and planning process. Although the MTFP outlines the Council's new priorities, it is too early to assess whether improved outcomes in terms of changing priorities will result.</p> <p>Engages with stakeholders</p> <p>The Council has acknowledged the importance of stakeholder involvement in service planning and delivery. Communication with stakeholders takes place via parish meetings and state of the district debates but there is little direct involvement of the wider community in financial planning. There is no evidence of participatory budgeting where local communities are empowered to make spending decisions. The Council has adequate arrangements in place to make equalities impact assessments on all new projects and policies. The MTFP was not subject to an overall EIA, however the policies held within it will have been.</p> <p>Managing spending</p> <p>The Council has an adequate record of managing its spending with a history of setting realistic budgets and being transparent in the budget setting process. Budget monitoring in 2008/09 effectively identified a shortfall in the short and medium term and a special report was issued to the Council to address this in November 2008. Action has been taken to reduce the cost pressures in the short term. The financial standing at the authority is under pressure; and the Council is taking steps to address this. However, debt collection and recovery could be strengthened with £2.7 million (£843k over a year old) outstanding in March 2009 and £350K of old debt written off.</p>	

Appendix 1 – Use of resources key findings and conclusions

Key findings and conclusions	
<p>Financial governance and leadership</p> <p>Councillors and the corporate management team exercise collective and individual responsibility for financial matters. Councillors communicate with heads of service for their portfolio areas regularly and here is a history of sound financial governance with appropriate training and delegation to staff. Audit committee responsibilities are undertaken by a scrutiny panel but this does not fully comply with the CIPFA good practice code. Councillor involvement in the MTFP provides an example of member challenge of the effectiveness of the plan. However, given the delays involved and the lack of evidence, as yet, of improved outcomes from this, it is too early to judge the effectiveness of this.</p> <p>Areas for improvement</p> <ul style="list-style-type: none"> • Ensure that the MTFP is updated on a regular basis, and consider the use of modelling or scenario planning in this. • Involve the wider community in financial planning, including the use of participatory budgeting. • Review the level of outstanding debt and the arrangements in place to identify and recover this. 	
KLOE 1.2 (understanding costs and achieving efficiencies)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>Understanding costs</p> <p>The Council has a sound understanding of its costs overall. This year its focus has been on finding ways to meet the potential overall budget shortfall of over £1 million through the Business Priorities and Efficiency Review (BPER) project. This has led to staffing cuts and consequently some service reductions. It has protected front line delivery of services and high priority services. However systematic analysis of costs across the council over time is not in place and there is limited understanding of the resources available to significant partnerships.</p> <p>Decision-making</p> <p>In taking decisions, the Council considers social impact. For example it decided to retain community safety posts while reducing staffing in arts and culture. The Council rejected an option to increase car parking charges in the towns to increase income as it is committed to supporting economic activity in the towns. It has also reduced hours in some service points but only where there has been a reduced use by the public. The Council uses unit costs and transaction costs to inform its major outsourcing projects which include housing, leisure and street scene. The Council's capital programme supports corporate priorities and new projects are assessed using a scoring system which reflects this. However delivery of projects is slow. It has delivered 69 per cent of its programme by expenditure in 2008/09 with the main reasons for non delivery being delays in securing match funding or decisions to widen the scope of the scheme and seek additional funding, for example Station Road Car park, Lutterworth. Others are due to awaiting planning approval, tenders and where work has started but not yet finished. Most funding is being carried forward so that the schemes will be delivered although later than planned.</p>	

Key findings and conclusions	
<p>Making efficiencies</p> <p>There are examples of benchmarking in the Council. As part of the efficiencies project, the development control team proposed the introduction of fees for some work where these were not being charged in Harborough but were in other councils. Staff made several proposals for efficiency savings and were delegated responsibility to implement them. Costs are closely monitored and understood by councillors and officers. The Council has a strong culture of managing tight budgets and keeping costs low but there has not been such a focus on improving performance. Value for money is adequate. The Council's spending profile is similar to last year when it was judged to be a low spender with below average overall performance. 2008/09 performance is variable, achieving 82 per cent of local performance targets but only 59 per cent of its priority actions being delivered compared with 95 per cent last year. The Council has achieved efficiency savings of £363,000 in 2008/09 continuing its sound record of previous years. It is considering shared services with other councils to reduce costs further, such as the payroll administration.</p> <p>Areas for improvement</p> <ul style="list-style-type: none"> • Obtain an understanding of the costs of council services over time and update this on a regular basis to assist in performance management. • Review the level of resources available to significant partnerships and the impact of changes in these on the Council's high priority services. 	
KLOE 1.3 (financial reporting)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>Financial monitoring and forecasting</p> <p>Financial monitoring and forecasting is adequate and budget monitoring and forecasting information is reliable, relevant and understandable. The Council identifies variations in performance promptly and corrective action is taken. For example, £1.2 million deficit identified in 2008/09 led to special meeting of the executive and a recruitment and uncommitted expenditure freeze. However, this was reactive rather than proactive. It is not clear how the Council reviews the financial performance of its significant partnerships. The Council's internal audit provides assurance that coverage of key financial systems (including budgetary control) is adequate. The Council has complied with the required deadlines for the accounts closure in 2008/09. There are no significant variations between in-year financial monitoring and forecasting information and that reported to external stakeholders at year end, but there is no evidence that forecast information is subject to risk and sensitivity analysis. The Council has not adjusted its budget and reporting cycle to respond to developments eg faster close down or better performance outcomes.</p>	

Appendix 1 – Use of resources key findings and conclusions

Key findings and conclusions

Using fit for purpose financial reports to monitor performance and support strategic decision making

The Council regularly reviews financial performance alongside performance information. Cabinet and committee reports include financial and non financial information with a written commentary that explains the underlying position. Councillors receive quarterly summarised information linked to strategic objectives that is relevant and of appropriate quality to meet their needs. Budget monitoring is regular and the Council has taken action in 2008/09 to reduce overspends. This has involved staff redundancies and a freeze on recruitment resulting in the use of interim staff where employees have left key positions. Any impact on service delivery is not yet clear. Budget holders have access to monitoring and forecasting information via the TEN system, which allows them to monitor their budgets freely, but profiled financial monitoring reports are not provided to budget holders and although flexible reporting tools are available via the e-financials system these are only available on request from the systems administrator and not used frequently.

Preparation of accounts

The 2008/09 accounts were approved on time and it is intended that the accounts will be published by 30 September 2009. The draft accounts did not fully comply with all statutory requirements as the HRA was omitted and they contained a number of non trivial errors. Sufficient working papers and audit support were provided, apart from evidence to support significant year on year variations which was only available on request. There have been changes in key accountancy staff during 2008/09 and the authority faced capacity issues during the closedown period making it more difficult to identify and address key changes to statutory requirements and accounting standards.

Publishing reports

The 2008/09 annual report and latest annual audit letter are available to the public via the Council's website. The Council understands that residents have different needs and its reports are available in different formats (eg other languages, on CD, larger font) on request. It has not consulted with residents about the format or content of the report which takes the same format as the previous year. External reporting on the whole is timely but does not include detailed environmental and social information or an analysis of the Council's environmental footprint in 2008/09.

Areas for improvement

- Use risk and sensitivity analysis when producing financial monitoring and forecast information.
- Provide profiled financial monitoring reports to budget holders.
- Raise awareness of the availability of the flexible reporting tools to budget holders and increase take up.
- Consult with residents and businesses on the format of the annual report.
- Include detailed environmental and social information and analysis of the Council's environmental footprint in the annual report.

Table 2 Governing the business

Theme score	2
Key findings and conclusions	
<p>The principles of good governance are in place with constructive working relationships between councillors and officers but governance arrangements in the Council's key partnerships are not fully developed. Commissioned services and service reviews have led to efficiencies. Data quality is adequate with plans for improvements. Data sharing with countywide partners to monitor delivery of the countywide SCS is good but underdeveloped in local partnerships. Business continuity plans are adequate but not all data is subject to consistent risk management arrangements. The Council's arrangements for risk management and internal control are adequate. The Council identifies and mitigates against its own risks and has sound counter fraud and corruption arrangements, but these arrangements do not extend into significant partnerships. The Council does not have a specific audit committee, delegating those duties to a scrutiny panel, but this does not fulfil the range of requirements of an audit committee such as overseeing management action in response to issues raised by external audit or gathering assurance of risk of the viability of partners and contractors in its business continuity plans.</p>	
KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>Clear vision of expected outcomes The Council's long term vision for the area is set out in the sustainable community strategy (SCS) which has recently been revised to reflect the countywide SCS. These are based on shared needs analyses and consultation with the public but it is unclear from the Harborough SCS how these shared outcomes are to be commissioned and delivered. For example, there is no action plan outlining who is taking responsibility for the supporting priorities, how they will be delivered and by when. One priority neighbourhood, Welland Ward, has been identified so that services can focus on the most vulnerable. The Council has set out how its priorities and actions contribute towards the SCS outcomes and LAA targets.</p> <p>Extensive involvement in commissioning The Council consults with stakeholders and service users, including the most disadvantaged, increasingly about priorities and service design, but not systematically in the full commissioning cycle. Consultation with children informed the design of improved play facilities at Welland Park and Ashley Way. Consultation with the Gypsy and Traveller community identified and overcame barriers in children accessing schools and pre-school activities, leading to improved attendance and punctuality and greater communication between schools and parents.</p>	

Appendix 1 – Use of resources key findings and conclusions

Key findings and conclusions

Improvement through service redesign

The Council is improving access to services. It has launched a more interactive website enabling applications and bills payments to be made online, however difficulties with voice recognition software have delayed the availability of 24 hour telephone payments. The Council is in discussions with the County Council about possible shared premises in the area that would include relocating out of the current town centre offices and providing a new location for the library, museum and a town centre customer service point.

Understanding the supply market

The Council commissions services in a variety of ways. Its waste and streetscene contracts are with private suppliers while leisure facilities are provided through a trust. The Council's large scale procurement, such as insurance, is through the Welland partnership which leads to savings. The Council is introducing an e-procurement module for staff to use for smaller contracts which will be populated with local suppliers to support the local economy but it is not yet in place. The Council has increased some grants to the voluntary sector, including those to meet increased costs at the Lutterworth one-stop shop and to South Leicestershire CAB in recognition that the economic downturn is likely to affect vulnerable people most. This meant that SLCAB helped people to claim nearly £200,000 in state benefits to which they were entitled and assisted people with debts of over £2.6 million. The procurement policy is on the Council website as an aid to contractors.

Evaluation of procurement options

The Council has an open approach to procurement using different methods as noted above. The leisure trust is significantly reducing costs and enabling funds to be re-invested into the services. The Council incorporates full life costing into procurement decisions, such as the leisure contract which includes full maintenance of facilities and the new Streetscene contract from April 2009.

Service competitiveness and value for money

The Council's programme of service reviews has been superseded by the BPER but during 2008 it reviewed two services; overpayments in revenues and benefits and corporate administration. It has significantly increased the rate of recovery of overpayments in 2008/09 and made savings of £79,000 through increased use of ICT which have been re-invested in priority areas.

Areas for improvement

- Clarify how shared outcomes in the Harborough SCS are to be commissioned and delivered.
- Expedite the implementation of the e-procurement module for smaller contracts.

<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>Produces relevant and reliable data and works with partners to secure data quality</p> <p>The commitment to data quality (DQ) is demonstrated through an agreed strategy and reference in the Council’s business plan. While there are no specific DQ targets in the business plan the Council is developing a DQ action plan through a series of workshops in June, July and September 2009 and portfolio plans and team plans include a requirement to implement their part of DQ action plan. Roles and responsibilities in relation to DQ are generally understood but one or two exceptions are not consistently and formally documented in job descriptions or standards for staff. The DQ Strategy is the main policy document covering all areas of the Council and there are robust and accessible procedures set out for the main Performance Management System. However spot checks in 2007/08 and 2008/09 showed that while the data quality was adequate there is no central test checking in the Council. In order to deliver the LAA targets, the Council has integrated its electronic data system with other councils including the County Council so that timely and accurate tracking of countywide and local targets can take place. While there are protocols for data sharing with the partners in the countywide strategic partnership, there are none for the local Harborough partnerships and contractors.</p> <p>Provides information to support decision making</p> <p>The Council produces information to support decision making. The TEN system is used to provide standard reports on PI data, status of service plan actions and equality impact assessments. Managers can request tailored reports from the system administrator and have some ability to manipulate data in provided spreadsheets. Performance information is used to report corporate progress on performance and monitor service delivery. The focus is on the indicators agreed in the Business Plan. Performance reports are not routinely copied to teams but they do use discrete extracted performance information to highlight and discuss local issues. The Council has improved its management of performance by introducing performance clinics where managers are held to account by senior officers but it is too early to measure their effectiveness.</p> <p>Ensures data security and compliance with statutory requirements</p> <p>Business critical systems are tested annually and reports on the results are prepared for the Council. The Council has a ICT Disaster Recovery Plan which covers the procedures and actions to be taken in the event that systems fail. Data is protected to some degree by controls on users and levels of access and passwords. DQ is not a separate and specific review by IA but is integral to a large number of regular reviews. Service areas are subject to internal audits which implicitly cover the robustness of underpinning data. There is a risk management tool built into the TEN performance management system which ensures agreed PIs are assessed. However other data is not subject to consistent risk management arrangements.</p>	

Appendix 1 – Use of resources key findings and conclusions

Key findings and conclusions	
<p>Monitors performance against priorities</p> <p>The Council monitors performance against its priorities regularly. Councillors receive performance and financial reports together quarterly while officers review these monthly. This enabled the Council to take early action to reduce predicted overspends in 2008/09. All reports address equalities issues and the Council's annual priority setting round is informed by needs analyses jointly provided with the LSP. The Council has improved its management of performance by introducing performance clinics where managers are held to account by senior officers.</p> <p>Areas for improvement</p> <ul style="list-style-type: none"> • Formally document in job descriptions or standards for staff the roles and responsibilities in relation to DQ. • Adopt protocols for data sharing for local Harborough partnerships and contractors. • Adopt consistent risk management arrangements for all data and data security. 	
KLOE 2.3 (good governance)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>Principles of good governance</p> <p>The principles of good governance are in place. The assurance framework provides information to support the governance statement which is embedded in the Council's business. Working relationships between councillors and officers are constructive. Councillors have driven the BPER leading to setting the reduced budget with staffing and service reductions. Officers provided a set of options which were adjusted by the Executive. A new code of conduct was adopted in 2007 and all members have received training as a result. Councillors do not have annual appraisals or personal training and development plans but the Leader has ensured that it is included as one of the Council's priority actions for this year.</p> <p>Purpose and vision</p> <p>The Council's vision is clearly set out in its business plan and echoed in the SCS which is directly aligned with the countywide SCS. Both were based on detailed needs assessments taking into account the needs of minority and vulnerable groups. The Council has set priorities for the business year and demonstrated how they support the priorities in the SCS.</p>	

Key findings and conclusions	
<p>Ethical framework and culture</p> <p>The ethical framework is sound. The Standards committee is promoting its role effectively. It has an action plan on ethical governance which includes publicising its role in the Council and to the public. The chair of the standards committee has met with the leader and the leader of the opposition to discuss implementation of the new system of local assessment of complaints. How to complain is outlined in the Council newsletter and a new complaints leaflet has been produced. The Council complies with the requirement to submit an annual report to the Standards Board for England outlining its ethical governance arrangements. While the Council maintains a register of members' interests and a gifts and hospitality register, neither is available on the Council website. There are sound arrangements for paying member and officer allowances. The Council's whistleblowing policy has been used by staff and issues raised investigated by the section 151 officer.</p> <p>Partnership governance</p> <p>Governance arrangements in the Council's key partnerships are not fully developed. Governance arrangements are in place for the Welland partnership, which procures services on behalf of its members. The Harborough LSP has agreed a partnership agreement in order to develop its governance arrangements. This includes sections on purpose, vision, principles, structures, membership, budget and resource management, communication and support arrangement for the LSP.</p> <p>Areas for improvement</p> <ul style="list-style-type: none"> • Ensure the delivery of annual appraisals and personal training and development plans for Councillors • Make available on the Council's website the register of members' interests and the gifts and hospitality register. • Further develop governance arrangements for the Council's key partnerships. 	
KLOE 2.4 (risk management and internal control)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>Risk Management</p> <p>Risks are identified as part of annual business and service planning and the risk register is updated accordingly. Corporate and business risks link to strategic objectives, are assessed in terms of likelihood and impact, assigned to named individuals and regularly reviewed and reported to the scrutiny panel. However risks relating to significant partnerships are not assessed by the Council or in partnerships and no partnership risk registers exist. The Council is reviewing its risk strategy in 2009/10 and is looking to address this. It has an adequate programme of member and staff training on risk.</p>	

Appendix 1 – Use of resources key findings and conclusions

Key findings and conclusions

Counter fraud and corruption arrangements

The Council has sound counter fraud and corruption arrangements in place but IA reported in 2008-09 that the strategy is now out of date. The strategy relies heavily on financial regulations and internal controls, rather than committing to any positive action to reduce the Council's vulnerability. Fraud is managed as a corporate risk and the Council has a zero tolerance approach. HB fraud investigation is adequately resourced. The Council has a sound record of imposing prosecutions and recovering fraud overpayments. While the Council monitors fraud and corruption activity it could strengthen its corporate approach eg by using benchmarking. It effectively participates in NFI exercises. Adequate deterrents are in place including the publication of successful cases of proven fraud and corruption. Counter fraud and corruption arrangements are not extended to partnerships. Codes of conduct exist for employee and member behaviour.

System of internal control

The Council has an adequate system of internal control. The scrutiny panel delivers the core functions of an audit committee but does not fully meet CIPFA guidance. The scrutiny panel does not review the External Audit (EA) opinion and other reports to members or oversee management action in response to issues raised by EA. IA is effectively provided by Welland IA consortium which is partially or fully compliant with all CIPFA standards. Standing orders, financial instructions and scheme of delegation are embedded. Structures are in place to ensure adequate governance. The AGS is an open and honest self assessment of performance and based on an independent viewpoint. It includes an action plan to address performance gaps. The Council has a business continuity plan in place which is tested and meets the Civil Contingencies Act 2004 by working in partnership with three partner councils. Resources are pooled to employ two FT emergency planning officers. The Council is also partner in the Leicester Resilience Forum where joint threats are agreed in a community risk register & a joint plan is in place to address the roles & responsibilities needed to mitigate these. It is not clear whether the Council gathers assurance based on the viability of its significant contractors and partners in its business continuity plans.

Areas for improvement

- Introduce systems for assessing the risks relating to significant partnerships.
- Introduce partnership risk registers.
- Extend the Council's counter fraud and corruption arrangements to partnerships.
- Consider the use of benchmarking to identify possible areas of fraud or corruption.
- Consider constituting a stand alone audit committee, fulfilling the requirements of an audit committee under CIPFA guidance. This could also fulfil the role of Those Charged with Governance currently fulfilled by the Accounts Committee.
- Clarify arrangements for gaining assurance on the viability of significant contractors and partners and update business continuity plans accordingly.

Table 3 Managing resources

Theme score	2
Key findings and conclusions	
<p>The Council’s arrangements for workforce planning and development are adequate. It has recognised and is working on the need to improve its skills development, workforce planning, and performance management of staff. Recruitment difficulties have led to interim appointments and lack of continuity which the pay and grading review and use of market supplements may mitigate. Finding the £1.2 million budget deficit has led to staffing reductions which the Council managed well. It has reduced staff sickness absence significantly.</p>	
KLOE 3.3 (workforce planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>Productive and skilled workforce The Council’s arrangements to ensure a skilled and productive workforce are adequate. It is currently working on improving some basic requirements such as identifying skills gaps and up to date workforce planning. The Council has had recruitment difficulties in some crucial posts, in part due to lower salaries than competitor councils, but a salary review is imminent. In the meantime, market supplements have been used for some posts but the Council has been hampered by the lack of continuity in these posts despite using interim and temporary staff. The Council has been focused on the need to find £1.2 million savings to produce a balance budget for 2009/10. This included a vacancy freeze immediately until the size of the staff reductions was finalised. This increased the use of temporary and interim staff. Following the review, the staffing complement was reduced overall by 16.5 full time equivalent posts. The Council is revising its current recruitment strategy and has recognised that managers need skills in recruitment and selection. It currently promotes the advantages of working in the public sector in a small rural environment and increasingly advertises its posts on the internet rather than through the press. The Council is improving its performance management of staff. It is revising its capability and appraisal policies and practises. Human resources staff are working more closely with managers when there are performance or timekeeping issues. Following a survey with the trades union last year that identified high levels of stress among staff, telephone and face to face counselling sessions were made available and these are fully booked. These measures have been productive with a significant reduction in staff absence. It has reduced from 10.18 days in 2007/08 to 8.30 days per fte in 2008/09, better than target. Staff have annual appraisals although only 89 per cent were completed within the required three month period this year.</p> <p>Workforce planning Workforce planning is underdeveloped. It has been brought into sharp focus by the BPER and the urgent need to balance a significantly reduced budget. The Council is undertaking a corporate needs analysis of its workforce having already identified that its workforce is aging and there is no-one employed under the age of 20 years. As a result the Council is considering introducing modern apprenticeships. It has also identified a need to improve managerial skills and 25 staff have completed the LRIP management training course.</p>	

Appendix 1 – Use of resources key findings and conclusions

Key findings and conclusions

Organisational change

The Council involves its staff appropriately in organisational change that directly affects them. For example in the BPER, the Council kept staff well informed with regular corporate and team briefings and invited contributions from all staff with suggestions for making efficiencies.

Diversity and good people management

The Council has adequate arrangements for a diverse workforce and good people management. Recruitment and selection is based on merit and the Council's staff broadly reflects the local population other than the relatively few young people employed. The Council has achieved level two of the equality standard for local government in line with most other councils and it has started to make progress on its duty to promote race equality. The induction programme for new staff now includes raising awareness of equalities issues in the Council's work. The pay and grading review, already implemented by many councils, is planned to be implemented this year.

Areas for improvement

- Undertake a skills gap analysis of the workforce.
- Ensure all annual appraisals are completed within the required three month period.
- Expedite the corporate needs analysis of the workforce currently underway.

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 Ensure that the necessary resources and support are made available to the Financial Services Manager to enable the successful transition to IFRS to be made.	3	Council			

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
