

# Annual Audit Letter

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Barnsley Metropolitan Borough Council

Audit 2008-2009

November 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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

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

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## Audit opinion

- 1 My work on the financial statements is complete and I have issued an audit report including an unqualified opinion on the financial statements.
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## Financial statements

- 2 The financial statements were approved by the statutory deadline date and in accordance with the requirements of the accounting standards. A number of issues have arisen from our audit and these have been reported to the Council in the Annual Governance Report.
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## Objection to the accounts

- 3 Closure of the audit has been delayed as I have received an objection to the accounts from members of the taxi and hire vehicle trade challenging the legality of fees levied for a fourth annual inspection and test of vehicles over five years old. As the amount in year of audit is approximately £7,000 I did not qualify the accounts or delaying my opinion on grounds of materiality. Once the objection has been dealt with I will issue my certificate of completion for the audit.
  - 4 The objector also asked me to consider issuing a report in the public interest in relation to the Council's arrangements for taxi licensing and regulation. Subject to the Council agreeing to carry out a structured review of these arrangements in conjunction with the trade I have decided not to issue a report at this time.
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## Use of resources

- 5 My work in relation to the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources is complete and I issued an unqualified value for money conclusion.
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## Independence

- 6 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.
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# 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. I have undertaken my audit of the financial statements and considered the Annual Governance Statement. I have issued an unqualified opinion in the accounts. A number of issues have arisen during the audit and these are noted below.**

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## Audit opinion

- 7** I have completed my work on the financial statements and I have issued an audit report including an unqualified opinion.

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## Accounting Practice and financial reporting

- 8** I considered the qualitative aspects of your financial reporting and I raised five issues in my Annual Governance Report::
- Potential impact of the proportion of retiring staff taking the enhanced lump sum option as part of their pension on the Council's liabilities in relation to the Local Government Pension Scheme.
  - Potential impact the final rate of return being lower than the actuary's estimate on the Council's assets and liabilities in relation to the Local Government Pension Scheme.
  - The debtors and creditors disclosures in the in the financial instruments notes to the accounts.
  - Non disclosure of impairments to Housing Revenue Account properties.
  - The need to disclose the fixed assets employed by trading undertakings.
- 9** In the Annual Governance Report I made the following recommendations and these have been accepted by the Council:
- The Council should request that the Actuary revisits the information available to support the commutation estimate for next year's pension liability calculation.
  - The Council should disclose the net assets employed in respect of trading operations in the accounting statements.

### Material weaknesses in internal control

- 10** I did not identify any significant weaknesses in your internal control arrangements with the exception of the controls in place in relation to the outsourced systems used by schools for payroll processing.
- 11** I noted that the Council had not obtained assurance for itself as to the effective operation of the controls within the systems used by the outsourced providers. Consequently I made the following recommendation, that has been agreed by the Council and which officers are now taking action:
- The Council should ensure that it obtains assurance as to the effectiveness in the controls of the systems used by the outsourced payroll providers on an annual basis.

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### Objection to the accounts

#### Legality of transactions

- 12** I received an objection to the accounts relating to the fees charged by the Council in 2008/09 for a fourth annual test for Hackney carriages and private hire vehicles of over five years old. The objector contended that such fees were unlawful because section 50 of the Local Government Miscellaneous Provisions Act 1976 ('the 1976 Act') does not require a proprietor to present the same vehicle for inspection and testing on more than three separate occasions during any one period of twelve months.
- 13** The objector asked me to apply to the courts, under Section 17(1) of the Audit Commission Act 1998, for a declaration that these items of account were contrary to law.
- 14** Having considered the matter carefully, I am satisfied that the relevant expenditure on the fourth test was unlawful for the purpose of Section 17 of the Audit Commission Act 1998. The Council does not challenge this view and has undertaken to limit these tests to three a year for all vehicles.
- 15** I have decided that I should not exercise my discretion to seek a declaration under Section 17(1) of the 1998 Act. Whilst it appears to me that the Council's charge for the fourth test of vehicles was unlawful, there is, on balance, no benefit from seeking a declaration to this effect from the court. In particular my reasons for taking this decision are as follows:
- the Council is not proposing to challenge the view that the expenditure is unlawful;
  - the Council no longer requires a fourth test to be carried out, and therefore no longer charges a fee for this; and
  - the benefits, if there were any, that might be secured by such an application would be disproportionate to the costs to public funds which would result.

**Public interest report**

- 16** The objector asked me to consider issuing a report in the public interest in relation to the Council's:
- arrangements for ensuring compliance with legislation;
  - process for consulting with the trade when setting fees for inspection, testing and licensing;
  - cost and management accounting in support of fee setting and cost recovery;
  - general efficiency in the conduct and management of inspection, testing and licensing.
- 17** Whether or not to issue a report in the public interest is a matter for me in the exercise of my discretion. Relevant factors include the quantum of any unlawful item of account or loss, whether there were significant failings in governance, whether the matters that might be the subject of a report are ongoing, whether there has been significant publicity in respect of the issues, whether the auditor has recommendations to make to the Council and whether the auditor believes that his independent view should be expressed in public.
- 18** In this instance the matters do not appear to me to require such a report, however I believe the Council should subject each of the matters raised by the objector to a structured review as suggested in the recommendation below.

**Recommendation**

- R1** The Council should subject each of the matters raised by the objector to a structured review, in consultation with the trade, with the aim of ensuring demonstrably that taxi and private hire services in the Borough are safe and properly regulated, that the cost of regulation is commensurate with the benefit both to the trade and to its clients, that fees are set following appropriate consultation, that regulation and vehicle testing represent good value for money, and that cost recovery is fair and in compliance with the 1976 Act.

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# 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.

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## Use of resources judgements

- 19** 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.
- 20** 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.
- 21** The Council's use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

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**Table 1 Use of resources theme scores**

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	2
Managing resources	3

- 22** From 2008/09 the use of resources assessment is more demanding, being a broader assessment with a greater focus on outcomes and value for money achievements. Previously the focus of use of resources has been very much on the processes an authority had in place and the scoring would reflect the extent and embeddedness of the arrangements. Having sound and embedded processes would, under the new assessment, only be considered to be meeting minimum requirements and merit a level 2 score and as a consequence an authority would be considered to be performing adequately.

- 23** A level three score is where the authority is able to show it is achieving demonstrable outcomes in terms of service provision and value for money and is therefore considered to be performing well. Overall this means that it is now more difficult to achieve scores above two than would have been the case under the previous regime.
- 24** In relation to 'managing finances' the Council was considered to be performing well across all aspects of the theme. The Council has performed strongly in this area in previous years.
- 25** The governing the business theme covers:
- Commissioning and procurement.
  - Use of information.
  - Good governance.
  - Risk management and internal control.
- 26** My assessment was that the Council is performing well in relation to commissioning and procurement and performing adequately in the other areas.
- 27** In relation to information management I note that many of the attributes to achieve a performing well assessment are in train and hopefully will come to fruition in 2009/10.
- 28** Governance arrangements could be enhanced through the Standards Committee taking a higher profile in relation to the promotion of good governance within the Council. There is also a need to put in place arrangements for personal development reviews of senior managers and to obtain and act on feedback received from training events.
- 29** Overall the Council has appropriate internal control arrangements in place. Whilst I have seen evidence of some good proactive fraud work in relation to benefits, there is scope to widen the extent of proactive anti fraud work undertaken in other areas of the Authority. The Council's Anti Fraud and Corruption Strategy should be approved by members. In the year covered by my review I noted the strategic risk register was not reviewed by Cabinet. I note that steps have been taken to heighten the profile of risk management at Cabinet level.
- 30** The aspects assessed in the managing resources part of our review related to asset management and the Council's approach to the use of natural resources. In both these areas the Council can demonstrate some clear outcomes of how it is making best use of the assets that it holds and in tackling environmental issues. The one area of concern relates to the arrangements for the repair and maintenance of the property portfolio; where condition surveys have fallen behind, the amount of outstanding repair work is not clear and the available budget appears to be insufficient to deal with the amount of work that has been identified as urgent.
- 31** In order to address the issues noted above I made the following recommendations in my Annual Governance Report and these have been accepted by members:
- Review the role of the Standards Committee so that it plays a more active role in supporting the Council's leadership on how it can impact positively on staff and public confidence and trust.

## Value for money and use of resources

- Introduce arrangements for personal development reviews of senior managers and to obtain and act on feedback received from training events.
- Secure member approval for the Council's anti fraud and corruption strategy.
- Take action to bring property condition surveys up to date and review the quantification of the backlog of repair and maintenance work to ensure it is a true reflection of need. The budget should be reviewed in light of the revised information.

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### Local risk work

**32** To support the use of resources work outlined above I carried out two local studies:

- Partnership working.
- The zero based activity review.

### Partnership working

**33** In Barnsley, through the Local Area Agreement (LAA), there are a number of formal partnerships in place to deliver services across Barnsley and the Council plays a significant part in these arrangements along with other organisations and agencies from the voluntary sector, the private sector and central government.

**34** The types of arrangements that the Council has in place with its partner organisations vary, from those where there are legal or contractual agreements in place to others where the partnership operates under delegated arrangements with the Council.

**35** The most significant partnership in financial terms is 'Partnership in Action' (PIA). This partnership is between the Council and Barnsley Primary Care Trust (PCT). The parties have recently signed a new agreement in relation to this. PIA has a pooled budget, which, in 2008/09 spent £114.5m, which is financially significant to both parties.

**36** My work comprised an overview of the Council's arrangements for ensuring effective partnership working in general through:

- identification of perceived performance management issues in relation to partnerships;
- identification of areas of potential weakness in arrangements for probity and governance; and
- highlighting issues of participation (community engagement, private sector involvement, consultation etc).

**37** Given its financial significance, I paid particular attention to the arrangements pertaining to PIA. I also took account of the 2009 report of the Audit Commission's Housing Inspectorate in relation to Berneslai Homes who are the arms length management organisation responsible for managing the Council's housing stock which accounted for about £52m of the Council's 2008/09 expenditure.

## Findings

- 38 Following the Audit Commission's report 'Governing partnerships' in October 2005 the Council identified the need to give systematic consideration to the governance implications of partnership working and has undertaken an exercise to identify its significant partnerships and evaluate the reason they exist and how they are managed.
- 39 Prior to entering into a partnership arrangement, the Council carries out an evaluation process to ensure that a partnership will contribute to the Council's corporate objectives.
- 40 The Council and the PCT have agreed a clear delivery framework in relation to PIA.
- 41 The Housing Inspectorate concluded that Berneslai Homes had 'strong effective leadership and governance'.
- 42 Where there is a formal partnership, the evidence I have seen indicates that financial resources and financial management arrangements are clearly understood and set out in the partnership agreement. Generally this provides for an adequate level of financial control. Regular in year financial information in-year is produced.
- 43 Working in partnership has largely been a facilitative and co-operative process designed to meet specific goals. Progress against action plans is regularly reported in partnership groups and at various levels within the partnership. This is undertaken in more detail in formal partnerships where there are various action planning and project management arrangements.
- 44 The Council regularly reviews formal partnerships and highlights areas of exception. Performance reports indicate performance against key national and local targets where work in partnership contributes to outcomes.

## Conclusion

- 45 On the basis of the above findings I was able to include that the Council has appropriate governance arrangements in place for working in partnership.

## Zero Based Activity Review (ZBAR),

- 46 The Council has undertaken its ZBAR since October 2006. It is a comprehensive and fundamental exercise to determine how best the Council can direct its resources to meet its intended outcomes and priorities.
- 47 The process has involved:
  - developing an Outcomes Framework to capture the intended outcomes sought by the Council across its full range of activities;
  - compiling an Activity Analysis, identifying the activities, expenditure and personnel currently committed to each of the outcomes;
  - identifying areas for detailed review and improvement through a 'zero base' approach; and

## Value for money and use of resources

- using ZBAR as an opportunity to 'refresh' the Council's agenda and clarify direction over the next three years.

**48** I undertook my review by considering three themes:

- Outcomes and achievement of objectives.
- Consistency and completeness of the plans.
- Programme management.

### Findings

- 49** In terms of outcomes and objectives, I identified that the ZBAR linked activities clearly to Council priorities, and has delivered some improvements and cost savings. The Council needs to develop further opportunities identified to support budget plans for 2011 and beyond, and to secure all the planned savings in corporate capacity.
- 50** Whilst the activity analysis for the ZBAR is an impressive piece of work by the Council, the approach was not entirely robust and consistent for all areas. The Council did not involve partners or its own staff at all levels adequately. The analysis needs to be updated and the approach improved for future use.
- 51** Although the Council showed strong leadership for the ZBAR, it did not take a programme management approach. This weakness may have affected both the progress of the ZBAR and its costs, which the Council has not estimated. The Council should adopt a programme management approach and consider the resources required for the ZBAR, to address these issues in future.

### Conclusion

- 52** ZBAR is an ongoing process and we are currently at the end of the first stage. Some outcomes have been achieved and some learning has been secured that officers will apply in future iterations of the process.

### Way forward

- 53** I have discussed and agreed the recommendations flowing from the local risk reports. The reports, along with the associated action plans have been reported to the Audit Committee and officers will be providing the Audit Committee with periodic reports on the progress being made in action being taken on the recommendations.

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### VFM Conclusion

- 54** 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.

# Closing remarks

- 55** I have discussed and agreed this letter with the Chief Executive and the Executive Director of Finance and Deputy Chief Executive. I will present this letter at the Audit Committee on 9 December 2009 and subsequently to Cabinet. Copies should be provided to all members.
- 56** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

**Table 2 Reports issued**

Report	Date issued
Audit Plan	June 2008
Information Technology Report	April 2009
Annual Governance Report	September 2009
Review of Partnership Working	September 2009
Zero Based Activity Review	September 2009
Annual Audit Letter	October 2009

- 57** Table below shows the fees charged for this year's audit.

**Table 3 Audit fees**

	Actual (£)	Proposed (£)	Variance (£)
Financial statements and annual governance statement	171,480	165,480	6,000
Value for money	151,520	151,520	0
<b>Total</b>	<b>323,000</b>	<b>317,000</b>	<b>6,000</b>

- 58** The additional fees of £6,000 are due to the need for me to undertake work in relation to the outsourced schools payrolls systems. The detail behind this has been reported in my Annual Governance Report.

## Closing remarks

- 59 To date I have not charged fees for the work that I have undertaken on the objection and the extent of these will not be known until the work has been finalised.
- 60 The Council has taken a positive and constructive approach to our audit. I wish to thank the officers and members for their support and co-operation during the audit.

Damian Murray  
District Auditor  
November 2009

# Appendix 1 – Use of resources key findings and conclusions

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

**Table 4 Managing finances**

<b>Theme score: 3</b>
Key findings and conclusions
<p>The Council has an integrated service and financial planning process aligned to the Local Strategic Partnership. The approach ensures that financial resources follow priorities. Equality assessments are built into the process.</p> <p>Chief Officers and the Cabinet are closely involved in financial matters and accept and understand their respective roles. Challenge is provided by the Performance Review Panel and Audit Committee.</p> <p>A three year Medium Term Financial Strategy is in place and is regularly updated.</p> <p>A balanced and realistic budget was set for the year and this was supported by achievable savings plans. Budget monitoring and control is strong.</p> <p>The Council had no Icelandic investments. It has adequate treasury management arrangements which are regularly reviewed.</p> <p>The Council has a clear understanding of costs and drivers. A zero-based review, mapping expenditure to the outcome framework, has helped identify £5m savings which are being used to support priority areas, eg health, education and CO2 reduction agendas.</p> <p>Partnership working and outsourcing are considered as options and this has led to partnership arrangements that produce value for money.</p> <p>The Council has secured efficiencies, particularly through investment in new technology and continues to take this agenda forward.</p> <p>Officers have been proactive in preparing for implementation of International Financial Reporting Standards. A project team is in place and training provided for officers and members.</p> <p>The 2008/09 accounts were produced on time and are free from material error.</p> <p>The Council engages with stakeholders to assess their needs in relation to published information and provides access to information in a variety of formats.</p>

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

<p><b>KLOE 1.1 (financial planning)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>3</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Council has an integrated service and financial planning process aligned to the Local Strategic Partnership. The approach ensures that financial resources follow priorities. Equality assessments are built into the process.</p> <p>The planning cycle and framework are set out in Service and Financial Planning Guidance</p> <p>The Senior Management Team and Cabinet are closely involved in financial matters and accept and understand their respective roles. Members receive appropriate training. Challenge is provided by the Performance Review Panel and the Audit Committee.</p> <p>The Medium Term Financial Strategy covers 3 years. It is regularly updated to reflect information derived from the service and financial planning process and policy changes, for example the changes made to address the issues arising from the 2007 floods in the 2008/09 budget. Other outcomes include:</p> <ul style="list-style-type: none"> <li>• Free swimming (support healthy living agenda)</li> <li>• Concessionary fares (worklessness agenda)</li> <li>• Free Christmas and Saturday Town Centre parking (boost economy)</li> <li>• Free rat control – need to combat prevalent issue.</li> <li>• Working with a local charity and the PCT, The Council has provided £0.5m matched funding to bring 2,000 allotment sites into use (health improvement and worklessness agendas)</li> </ul> <p>The Council has a network of area forums consisting of local residents each forum produces an annual local plan based on the residents' priorities. The community are responsible for the delivery of the plans. The Council provided £0.63m to support these in 2008/09.</p> <p>These outcomes have been achieved through efficiencies secured by, for example, the introduction of new working practices, service re-structuring and improvements in procurement practices</p> <p>Strategic and service plans are linked to the overall performance management arrangements.</p> <p>Budgetary decisions for the forthcoming financial year are formed to deliver the agreed priorities. Senior officers and members meet regularly to set out proposals for Senior Management Team and Cabinet to consider prior to formal approval.</p> <p>Budget decisions are reported back to Service Managers who prepare detailed Service Plans based on their resource allocations</p> <p>The Council set a balanced and realistic budget supported by achievable savings plans</p> <p>The Council's Treasury Strategy and capital programme cover a three year period.</p>	

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

A realistic treasury management budget is set at the start of the year which is underwritten by a prudent annual Treasury Strategy that sets the framework for the treasury management budget including an assessment of interest rate fluctuations. The strategy uses stringent credit limits that are reviewed on a constant basis. There are quarterly reports and specific reports on investment security submitted into Cabinet and the Audit Committee. The Council had no Icelandic investments but the treasury management policy and arrangements were reviewed immediately afterwards

The policy on reserves and balances follows CIPFA guidance

The TS and capital programme reports are produced for 3 year periods these forecasts provide a medium term context. The modelling used allows for the change in interest rates, includes a cash flow analysis, shows how the capital financing budget will change over 3 years and is used as a basis for updating the Medium Term Financial Strategy. Sensitivity analysis is used

A register of funding provided to the third sector with an analysis of scheme delivery is kept

Equality Impact Assessments are embedded in the service and financial planning process, one outcome from this was the decision to freeze Council Tax for the over 65s

The Council has targets for debt collection. Collection rates are monitored and enforcement taken

The Corporate Training programme includes a numbers of courses relating to finance and financial management

Processes are in place to ensure the effectiveness and leadership of financial management, for example; departmental management team briefing sessions, member training and feedback and use of the CIPFA financial management model self assessment

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

<p><b>KLOE 1.2 (understanding costs and achieving efficiencies)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>3</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Council has a clear understanding of costs and drivers, including levels of deprivation, across the range of its services, with budget management within services leading to a clear understanding of cost drivers within individual services. A zero-based review, mapping expenditure against the Council's outcome framework has helped the linking of costs to key drivers and identified savings. An activity costing module is used to analyse cost information. In all £5m has been identified, largely from the corporate core, and used to fund various initiatives, for example; MiCard which gives free travel and swimming to young people and also serves as a library card. This is in support of The Council's health, education and carbon reduction agendas. A further £1m of adult services spending has been refocused following a review of costs in older people's services.</p> <p>The Council benchmarks costs and performance against other councils through benchmarking clubs and use of market information. Information on both goes to the Performance Review Panel and Cabinet to allow financial performance to be considered alongside performance against service objectives and is used to challenge service managers. Challenge is also provided by the Audit Committee. Action is ongoing to make linkages between finance and performance issues clearer.</p> <p>An improving trend of cost against outputs is demonstrated by the Council making service improvements while remaining low cost. The degree to which trends in this relationship are measured varies between services.</p> <p>Management information identifies changes in costs and exception reporting can be triggered by cost exceptions as well as by performance exceptions.</p> <p>The Council has done work to map spending by Local Area Agreement partners against outcomes. It has a reasonable understanding of resources at the disposal of the Local Area Agreement and an exercise to improve this further is underway.</p> <p>Decisions are underpinned by sound information on costs. All investment proposals are assessed against the Council's outcome framework to give assurance that investment is being made in priority areas. Business cases set out whole life costs, benefits and risks.</p> <p>The budget monitoring process identifies variances of cost from budget, calls for explanations of these and leads to action such as realignment of resources to ensure Council priorities are met.</p> <p>Partnership work and outsourcing are considered as options where appropriate and this has led to partnership arrangements producing value for money. One significant area outsourced is IT services which are delivered in partnership with Bull this has not only provided cost savings but provided a technological edge. Procurement action delivers efficiencies through using the Procurement Teams understanding of market position to challenge costs.</p> <p>The Council has made significant efficiencies, particularly through investment in new technology and continues to take this agenda forward with investment in cutting edge technology, for example; virtual laptops which will also provide cash savings. The Council pushed for an efficiency target with Government Office and has achieved this. The Council achieves strong performance in a range of services, particularly in its priority areas, whilst overall service costs are relatively low.</p>	

<p><b>KLOE 1.3 (financial reporting)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>3</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p> <p>The Council uses a ‘corporate standard’ approach to the provision of monitoring and forecasting information across all services and schemes although bespoke reports tailored to individual needs or specific circumstances are used where appropriate. From the lowest level (cost centre) aggregated up to divisional, directorate and Authority level all statements show the profiled budget to date against accrued expenditure (based on the automated goods receipting process). Forecast expenditure for the remaining period is then estimated based on an extrapolation of trends and other information both within and outside the system. Total estimated expenditure is then compared against the total budget to produce an accruals based outturn.</p> <p>A ‘traffic-lighted’ monitoring system for reports to members is used to highlight budget variances according to the following thresholds:</p> <ul style="list-style-type: none"> <li>• green - potential deficits up to £10k and surpluses (no concern)</li> <li>• amber - potential deficits between £10k and £30k (minor concern)</li> <li>• red - potential deficits over £30k (major concern)</li> </ul> <p>For any budgets that are not classified as green, narrative is provided to explain the recovery actions being put in place. These responses are updated throughout the year to provide assurance that appropriate controls are in place. In addition, the Audit Committee receives these reports. This has led to robust challenge of the officers in relation to the budget and increased accountability through the requirement for officers to produce follow up reports on the progress being made in dealing with overspends.</p> <p>Budget holders receive monthly reports but also have the facility to access information real time. In addition if expenditure is going over budget in any one month emails are sent to the budget holder automatically to enable swift corrective action.</p> <p>The Council began consideration of the potential impact of required adoption of International Financial Reporting Standards on its accounting arrangements at an early stage and has undertaken an interim study/gap analysis which has highlighted the key issues for the Council to consider as part of the transition. Numerous training events have taken place including an awareness session for the Audit Committee and all finance staff. A report was submitted to the March Audit Committee outlining the next stages for the project including the assembly of the project steering group and team together with high level project deliverables/project timetable.</p> <p>The 2008/09 accounts were produced on time. To date no material errors have been found.</p> <p>The Council engages with stakeholders to assess their needs in relation to published information and provides access to information in a variety of formats. The Financial Statements, summary accounts and an annual report are published.</p>	

**Table 5     Governing the business**

<b>Theme score: 2</b>	
Key findings and conclusions	
<p>The Council has a clear vision of intended outcomes for local people. Commissioning and procurement is based on a Joint Strategic Needs Assessment with the health service and a procurement strategy linked to strategic objectives.</p> <p>Officers understand the supply market and work with others to influence and develop the market. An array of systems is used to secure competitive prices and the Council has won a number of awards in relation to its procurement arrangements.</p> <p>The Council works with partners to improve its data quality arrangements through the use of data sharing protocols.</p> <p>Information is gathered to support decision making requirements. Emphasis is placed on achieving 'right first time' and information collection systems designed with this in mind.</p> <p>Data security policies and procedures and adequate IT controls are in place. The Council has not met all the requirements for Government Connect but hopes to achieve the extended deadline of 30 September 2009.</p> <p>The basic principles of good governance are in place. Roles and responsibilities are defined and the Council has a clear vision of what it wants to achieve for its local communities through its corporate plans which are based on a needs assessment that includes engagement with local groups.</p> <p>Codes of conduct exist and a strong ethical framework is promoted. Compliance with codes is reported and monitored. The Standards Committee could be more proactive. Effective partnership governance arrangements exist.</p> <p>Risk management arrangements are in place. There are links with partners but these are not always formalised. Risk management and the risk register have not been considered on a regular basis by Cabinet.</p> <p>The Council's fraud and corruption strategy has not been approved by members.</p> <p>There are excellent examples of proactive work and outcomes in relation to benefits fraud. There is scope for a more proactive approach to corporate fraud and corruption.</p> <p>Internal control arrangements are fit for purpose. The Audit Committee provides effective challenge and it is strengthened by having a majority of co-opted members from relevant professional backgrounds.</p>	

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

<p><b>KLOE 2.1 (commissioning and procurement)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>3</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Council has an inclusive, coherent and integrated approach to strategic, service and financial planning and commissioning and procurement. A joint strategic needs assessment is in place and well established and comprehensive joint working arrangements are in place for health and social care. The recent world class commissioning report was positive about how the Council and the PCT work together.</p> <p>The Council engages with local communities through both the Local Area Agreement and the 'Barnsley Compact'. There is evidence of links with the ethnic minority communities, women's groups, the third sector and tenants groups.</p> <p>To assist potential suppliers, there is clear guidance on the Council's website relating to its approach to procurement.</p> <p>The Council is actively identifying and implementing new ways of delivering services. It is involved in the digital region project with Yorkshire Forward and other South Yorkshire Councils with a view to increasing internet access, improving the customer experience and securing efficiencies and savings.</p> <p>Officers have a good understanding of the network of suppliers, current and potential, and actively manage relationships with them in order to maintain a two-way dialogue, awareness of needs and ability to respond. Support is given to potential providers. The Council has adopted the principles of best practice set out in the Office of the Third Sector's Funding and Procurement Compact Code of Good Practice.</p> <p>The Council cites many examples of how it is working with others on procurement, eg the Yorkshire Purchasing Organisation, Barnsley@UK (local suppliers)(briefing sessions provided and more business placed locally rising from 19% (£25m) in 2004 to 32% (£62m) in 2008), waste disposal facility with other South Yorkshire Council's and use of e-procurement process. The procurement strategy is linked to the Council's green aspirations and environmental issues are considered in the procurement process.</p> <p>The Council has been successful in securing awards in recent years for its procurement arrangements.</p> <p>The development of the Supplier and Contract Management System has resulted in a large supplier base that covers all categories that the Council buys and provides ready to use tender lists that are shared. It also includes contract management and performance management modules</p> <p>The Council has undertaken some service reviews that aimed at identifying service and value for money improvements. Soft market testing has been done eg highways maintenance and benchmarking carried out with 4South Yorkshire. The Council procures its housing management services from Berneslai Homes who secured top marks in a recent housing inspection. The inspectors observed that sound governance, performance management and decision making arrangements are in place whilst maintaining a clear partnership approach to wider community issues such as worklessness and regeneration.</p>	

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

<p><b>KLOE 2.2 (data quality and use of information)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>2</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Council has arrangements in place for the provision of good quality data. Services use an audit checklist in compiling their performance indicators (PIs). Validation checks by service managers and internal audit checks, selected on a risk basis give assurance of data quality. From our testing of National Indicators we found that these arrangements were not necessarily being adhered to. Guidance, training and support give staff a clear understanding of the need for good quality data and of their roles and responsibilities in providing it. A Data Quality Group containing middle managers from all service areas encourages staff within each service to consider how data can be improved. The Council has an action plan for further improvement to data quality which is reviewed and updated.</p> <p>Risks to data quality and data security feature prominently in strategic and operational risk registers. Reports are made to members on data quality and there are examples of members challenging the quality of data.</p> <p>The Council works with partners to improve data quality, with data sharing protocols in place, a joint Data Quality Group with external partners having been set up, and work done to adapt the Council's audit checklist to enable its adoption by partners.</p> <p>The Council gathers information to meet the requirements of a range of decision makers. Performance data is supplemented by a range of other intelligence. The Council tailors its presentation of information to suit the needs of the audience. Performance against targets and information on trends is presented clearly. Numerical and graphical information is supplemented by explanatory notes.</p> <p>The corporate policies place emphasis on achieving the principle of 'right first time'. Systems for gathering and recording information are designed with this in mind. This has included work to reduce the amount of data cleansing and manipulation required to produce information. The Council has improved the links between different data systems.</p> <p>The Council has information about the gender, ethnic and disability profile of the Borough to inform decision making. Evidence has not yet been seen to confirm that services make good use of this information to meet the needs of specific groups of customer.</p> <p>The Council sets targets for its own performance indicators and, with partners, for shared priorities. It monitors progress against targets and monitors that action plans are on course. The results of this monitoring are used to address underperformance.</p> <p>Reports to decision makers draw links between performance and finance, and action is ongoing to make linkages clearer. The Council has a good track record of achieving performance improvements while remaining low cost.</p> <p>The Council participates in benchmarking of performance at corporate and service level, and this is being expanded to include more value for money benchmarking.</p> <p>There are well established arrangements in place to ensure that data is used to manage and improve the delivery of services.</p>	

PI testing work identified a low level of errors

The Council has data security policies and procedures in place. The latest external risk assessment concluded that IT controls were good. It has an IT disaster recovery plan in place and Business Continuity Plans for each service area that are all subject to review and testing. A revised information security and computer usage policy was implemented from January 2009, backed up by training for all users.

The Council has not yet met all the requirements for Government Connect, but is aiming to meet an agreed extended deadline of September 2009. It does not as yet have assurance that it fully meets ISO27001.

The Council takes action to learn from security incidents, but cannot demonstrate a reduction in the number or severity of incidents.

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

<p><b>KLOE 2.3 (good governance)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>2</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Council has the basic elements in place to underpin the principles of good governance. Evidence has been seen of clearly established roles and responsibilities under the Constitution which is regularly reviewed. There is provision of induction training for members and senior managers. The Council provides development opportunities for members and senior managers.</p> <p>There is a system in place for Personal Development Reviews for members and staff but members of the Senior Management Team (SMT) do not take part in the Council wide scheme and a separate Performance Appraisal Scheme has been developed for them and this is to be introduced during 2009/10. The take up of training and development opportunities by members is generally good. The Council cannot demonstrate it has acted on feedback in respect of training and development events attended by members and SMT.</p> <p>The Council has a clear vision of what it wants to achieve for its local communities through its corporate plans which are based on needs assessment that includes engagement with local groups.</p> <p>The Council's culture is open and outward facing and its plans are developed to meet the needs of local communities. There is no evidence that leadership has been distracted from achieving the priorities set out in plans and priorities by internal disputes. Working relationships between members and senior officers seem to be fully effective in ensuring delivery of priorities to local communities.</p> <p>Codes of conduct are in place and the Council's leadership actively promotes a strong ethical framework of honesty, openness, probity and accountability. Compliance with codes and procedures is reported and monitored through the Audit and Standards Committees. Arrangements have been established for the registering of interests. A complaints policy is in place and is publicised. Although the basics for a strong ethical framework and culture are in place the Standards Committee has not advised the Council's leadership on how it can impact positively on staff and public confidence and trust.</p> <p>The Council has assessed its reputational risks and this is included in the strategic risk register. We have seen no evidence of well attended ethical training provision other than in respect of members' induction training. Half yearly reports on the work of the Standards Committee are minuted. No other evidence has been provided to demonstrate that progress made in developing the ethical environment is reported to stakeholders, local people and communities. The Council recognised the need to revise its Whistleblowing Policy in December 2008 to ensure that investigation processes were fully effective. There does not appear to have been any summarised information on the incidence of whistleblowing and outcomes that would help increase awareness of and confidence in whistleblowing arrangements. Review of the Council's internet website does not readily identify the role of the standards committee to improve awareness of both partners and the public.</p> <p>Where the Council is working with partners effective governance arrangements are in place Governance arrangements but there is scope for improving the arrangements in respect of risk management and data quality. There is evidence of joint working in relation to asset management, housing management, environmental stewardship and procurement.</p>	

<p><b>KLOE 2.4 (risk management and internal control)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>2</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p> <p>A Risk Management Strategy is in place but it has not been approved by Cabinet. Reviews are undertaken by the Audit Committee (AC). Cabinet responsibility for risk management has been assigned but it is only very recently that Cabinet has reviewed the Strategic Risk Register. The Register is maintained using a standard software package. Likelihood and impact are assessed and all risks have an owner.</p> <p>Training on risk management is provided to all risk register users but training for other members of staff is patchy.</p> <p>A partnership governance framework has been established that includes risk guidance. All major partnerships have risk registers. Some partnership risks are included in the Council's risk register.</p> <p>Risk Management is embedded in the Council's business processes. The Council can demonstrate that its partnerships have put in place risk management arrangements. All major projects are supported in their development and realisation with a risk register and on-going risk reviews.</p> <p>The Council has a counter fraud and corruption strategy but it has not been formally approved by members. It is posted on the intranet and reviewed annually as part of the Annual Governance Statement process.</p> <p>Internal Audit is developing a programme of counter fraud work. Significant proactive counter fraud work is undertaken in respect of benefits fraud and innovative use is made of the computerised fraud management system to support this. For example, using postcodes to identify 'hotspots' led to identification of potential working and drawing at four employers which eventually led to four prosecutions and penalties being imposed in two other cases.</p> <p>Internal Audit has a dedicated fraud investigation team as do Benefits (10 staff in all). The benefits team undertook 235 investigations in 2007/08 which led to 113 sanctions. Internal Audit undertook 39 investigations in 2008/09 The Council participates in the Audit Commission's National Fraud Initiative datamatching exercise. The latest exercise resulted in 33 investigations being initiated. Three of these may result in a sanction and 15 others are still ongoing.</p> <p>Protocols are in place with the police and the Department of Work and Pensions. There is evidence of officers working with other agencies over the years (eg the Vehicle and Operators Standards Agency), other internal sections, eg taxi licensing and other local authorities.</p> <p>The Council's system of internal control includes all the expected features :</p> <ul style="list-style-type: none"> <li>• An Audit Committee which delivers the basic functions of such a committee under CIPFA guidance</li> <li>• Provision of effective internal audit</li> <li>• An assurance framework</li> <li>• Standing Orders, Financial Regulations and a scheme of delegation</li> </ul>	

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

- Arrangements to ensuring compliance with relevant laws and regulations
- Adequate financial systems

The Annual Governance Statement review is a comprehensive and open process to identify and deal with control issues. The resulting action plan is monitored by the Audit Committee

The Audit Committee only has advisory committee status under the Council's constitution so cannot act as 'those charged with governance' as defined by the International Standards on Auditing. The majority of the Committee are co-opted members with a mix of relevant professional backgrounds. It is respected and provides effective challenge. This includes providing assurance on the Council's arrangements for:

- risk management;
- maintaining effective internal control
- reporting on financial and other performance.

The Audit Committee monitors progress against any actions to address significant internal control concerns and matters highlighted in audit reports. The Chair has periodic meetings with Scrutiny Chairs and work plans are shared.

**Table 6 Managing resources**

<b>Theme score: 3</b>	
Key findings and conclusions	
<p>Environmental issues, including CO2 emissions are included in the strategic and business planning framework. Performance monitoring arrangements are in place.</p> <p>The Council has baselined its carbon emissions. It has already achieved the Government’s target of a 40% target reduction on 1990 levels by 2020.</p> <p>The Council can point to a significant number of initiatives which demonstrate that it is mitigating its impact on the natural environment both on its own and in conjunction with partners.</p> <p>Assets are managed as a corporate resource. Asset management planning is integrated with corporate and service planning. The asset management plan (AMP) has forward looking strategic goals for property assets and shows how property assets will be maintained, modernised and rationalised to ensure that they are fit for purpose.</p> <p>The Council is in the process of rationalizing its estate. There is a systematic process for appraising competing demands for spending against corporate priorities. Investment decisions are evaluated using option and whole life appraisal techniques.</p> <p>The Council has quantified the backlog of repairs but cannot demonstrate to us the figures are accurate. The budget available is insufficient to address the estimated level of outstanding urgent repairs.</p> <p>Performance is benchmarked against other public sector organisations and the outcome reported annually. The Council integrates the management of its asset base with others for example, third sector and local public agencies to identify opportunities for shared use of property and to deliver seamless community based services to users. There are examples of joint use on premises, for example with the NHS and police. Other innovative projects exist, eg, where they are recycling the rents from premises they have let out to provide a community resource. In another case they have unlocked funding streams to provide a leisure facility</p>	

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

<p><b>KLOE 3.1 (use of natural resources)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>3</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p> <p>Environmental issues, including CO2 emissions are included within the Council's strategic and business planning framework, which also links into the Local Area Agreement. Arrangements are in place to effect performance monitoring.</p> <p>The Council has baselined its carbon emissions and is well aware of the progress it is making to reduce these both internally and as a community leader. The Council claims to have been 'energy conscious' about its property portfolio for over 20 years and passed the Government's target of a 20% reduction on 1990 levels by 2010 by 2001. In 2005 it passed the 40% target for 2020 and aims to achieve the 60% 2050 target by 2010.</p> <p>The Council can point to a significant number of initiatives which demonstrate that it is mitigating its impact on the natural environment both on its own and in conjunction with partner organisations, for example:</p> <ul style="list-style-type: none"> <li>• Biomass Implementation, for example, the Sheffield Road flats district heating saves 1,400 tonnes of Co2 a year, representing 72% of previous emissions. The installation of biomass at the Smithies Lane depot will result is a halving of the CO2 emissions (saving 350 t/yr)</li> <li>• Westgate Plaza is expected to achieve cash savings over a 25 year life of about £0.5m (after offsetting the additional capital cost). This does not allow for increases in gas prices and assumes that wood chip will be purchased whereas in reality it will come from the Council's own sources. In all, Westgate has reduced energy consumption by 25% from the levels being consumed at previous offices. In addition rainwater harvesting has reduced water consumption by 20% or 680k litres a year.</li> <li>• use of recyclables in highways</li> </ul> <p>Work has been undertaken to enhance the profile of environmental issues in planning and development control. A lot of initiatives have been undertaken, often with partner organisations, in relation to green and open spaces. A biodiversity action plan is in place but it is now substantially out of date and is in need of review.</p>	

<p><b>KLOE 3.2 (strategic asset management)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>2</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p> <p>Assets are managed as a corporate resource. There is a focus on using the asset base to help deliver sustainable social, environmental and economic outcomes for local communities.</p> <p>Asset management planning is integrated with corporate and service planning. The AMP has forward looking strategic goals for property assets and shows how property assets will be maintained, modernised and rationalised to ensure that they are fit for purpose. Key objectives are:</p> <ul style="list-style-type: none"> <li>• Optimise the contribution of property to meet the Corporate Plan and the sustainable community strategy.</li> <li>• Generate capital receipts to support the Medium Term Financial Strategy.</li> <li>• Deliver Gershon efficiency gains.</li> <li>• Maximise the contribution of property to Remaking Learning.</li> <li>• Ensure our property meets the Disability Discrimination Act.</li> <li>• Facilitate alternative ways of working.</li> <li>• Maximise the benefits of information and communication technology.</li> </ul> <p>Cabinet responsibility for asset management has been assigned and arrangements exist for reporting to members and consulting with the community.</p> <p>The Council is in the process of rationalizing its estate as part of a wider redevelopment of the town. There is a systematic process in place for appraising competing demands for spending on assets against corporate priorities. Investment decisions are evaluated using option appraisal and whole life appraisal techniques.</p> <p>The Council challenges whether all its assets are required, are fit for purpose and provide value for money to meet current and future needs by monitoring property performance and undertaking periodic property reviews but the programme has fallen behind. The Council rationalises or disposes of under-performing or surplus assets. The service and financial planning framework is set to ensure that all new acquisitions are acquired in line with corporate objectives and that any new investments outline how they might improve performance.</p> <p>The backlog of repairs has been quantified but we remain to be convinced as to the accuracy of the figures. The budget available to address the backlog is insufficient to address the estimated level of outstanding urgent repairs let alone the rest.</p> <p>The Performance Management Framework requires a systematic review of performance indicator target performance and key action plan progress. The member Performance Review Panel considers asset management planning, property performance and related capital resource issues. Property performance indicators are a dataset in the Chief Executive’s quarterly review of performance but targets are not necessarily being met.</p>	

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

The IPF Asset Management Network is used to benchmark performance against other public sector organisations. The Chief Property Officer reports annually on its property performance and then it compares its performance against other organisations.

The Council integrates the management of its asset base with others, for example; third sector and local public agencies. It identifies opportunities for shared use of property and to deliver seamless cross-sector, cross-agency and community based services to users. The Council is able to cite examples of joint use on premises, eg LIFT with the health service and shared premises with the police; One example is an innovative project where they are recycling the rents from office accommodation they have let out to provide 10 years of finance to a community resource. In another case they have unlocked funding streams to provide a leisure facility

## Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Taxi licensing</b>						
7	The Council should subject each of the matters raised by the objector to a structured review, in consultation with the trade, with the aim of ensuring demonstrably that taxi and private hire services in the Borough are safe and properly regulated, that the cost of regulation is commensurate with the benefit both to the trade and to its clients, that fees are set following appropriate consultation, that regulation and vehicle testing represent good value for money, and that cost recovery is fair and in compliance with the 1976 Act.	3	<p>BMBC Regulatory Services</p> <p>BMBC Highways and Engineering (Smithies Depot)</p> <p>BMBC Borough Secretary</p> <p>Hackney Carriage and Private Hire Trade Liaison Group</p>	A structured review will take place, allowing sufficient time for reasonable and achievable outcomes. This will be done by working in consultation with the trade via the recently revised Trade Liaison Group.	<p>More detailed activities as below:</p> <p>Set up Trade Liaison Group to consider all objections / suggested way forward</p> <p>Meeting between Finance and Licensing to provide more detailed budget information to illustrate actual income v expenditure</p> <p>Trade Liaison Group to meet to discuss income v expenditure</p> <p>Trade Liaison Group to consider objections raised and agree a realistic, prioritised and phased approach to dealing with them</p> <p>Officers to provide more detailed information on vehicle failure rates (serious v less serious). This will help to inform the discussion on expenditure necessary to ensure that taxi and private hire services are safe and properly regulated, and value for money</p> <p>Analysis of 1976 Act to ensure that cost recovery is fair, and therefore legal</p> <p>Consideration / analysis of existing vehicle testing arrangements, including fees.</p> <p>The Council is of the view that fees are already set following appropriate consultation, but will consider how the consultation process could be improved.</p>	<p>Done</p> <p>19.11.09</p> <p>08.12.09</p> <p>08.12.09</p> <p>Dec 09 – Jan 10</p> <p>Jan 10</p> <p>Mar 10</p>

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# The Audit Commission

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

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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](http://www.audit-commission.gov.uk)

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