

Annual Audit Letter

Chiltern 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.
-

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 we have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit opinion

- 1 I issued an auditor's report including an unqualified opinion on the financial statements on 30 September 2009.
-

Financial statements

- 2 We did not find any material errors in the accounts.
-

Value for money

- 3 I also issued an unqualified value for money conclusion on 30 September 2009.
-

Audit fees

- 4 We are not proposing an increase in audit fees for 2008/09.
-

Table 1 **Audit fees**

	Proposed and Actual
Financial statements and annual governance statement	£56,001
Value for money	£20,000
Total audit fees	£76,001

Actions

- 5 Recommendations are shown within the body of this report and have been agreed with the audited body.
-

Economic downturn

- 6 The economic downturn and banking crisis has had a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies was immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams. There are further challenges for policy priorities where patterns of demand for services are changing.
- 7 This impacted on the audit and as part of our responsibility, we have reflected on the wider environment, specific issues and risks and the Council's response.

Independence

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

Financial statements and annual governance statement

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

Issues arising from the audit

- 9 We did not find any material errors in the accounts. Some amendments, which were agreed with the Head of Finance, were made to the accounts and some other errors were not amended. Justification for not adjusting those items was included in your letter of representation.
- 10 I issued an unqualified opinion on the financial statements on 30 September 2009.
- 11 We found a number of issues of concern around system controls in your financial systems. These resulted in additional audit work. This extra audit testing did not find any significant errors. The issues of concern related to a lack of evidencing of controls. In particular:
 - authorisation controls for journals were limited;
 - treasury management authorisation procedures were not always followed;
 - authorisation controls for payroll reconciliations and variances were weak;
 - daily cash management reconciliations were not reviewed and authorised on a regular basis; and
 - monthly reconciliations for feeder systems (ie benefits, business rates and council tax) into the general ledger were not routinely subject to authorisation.
- 12 We considered the qualitative aspects of your financial reporting. We identified a number of errors in the presentation of the financial statements eg missing lines and details, and columns of figures with incorrect totals. We identified areas where you could comply more fully with good accounting practice.

Preparation for the implementation of International Financial Reporting Standards (IFRS)

- 13 Councils will be required to implement the full requirements of IFRS from 2010/11. As part of this process, authorities will need to restate their 2009/10 comparative figures in the financial statements and therefore need to have drawn up plans to ensure these additional requirements are met.

- 14 We have assessed you as 'red' or at risk against these requirements. Although you have identified the main additional requirements of IFRS, processes to address these are still at an early stage. The main issues for you are:
- availability of the necessary information for property, plant and equipment;
 - correct identification and classification of leases under the wider definition of leases and associated arrangements under IFRS; and
 - correct disclosure of staff benefits (accrued leave).
- 15 We will work with you to support the successful transition to full reporting under IFRS.

Investments in Icelandic banks

- 16 Although you held no investments in failed Icelandic bank you have reviewed and updated your treasury management arrangements to ensure that they meet your needs in the current financial climate. We identified no weaknesses in your arrangements other than ensuring authorisation procedures are followed fully.

Value for money and use of resources

We considered how well Chiltern District 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.

We also assessed whether Chiltern District 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 conclusion.

Use of resources judgements

- 17 In forming our scored use of resources judgements, we 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.
- 18 We have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 19 The Council's use of resources theme scores are shown in Table 3 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

Table 2 Use of resources theme scores

The Audit Commission has assessed that the Council performs adequately

Use of resources theme and KLOE	Scored judgement	
	Theme	KLOE
Managing finances	2	
• 1.1 - financial planning		3
• 1.2 - understanding costs and achieving efficiencies		2
• 1.3 - financial reporting		2
Governing the business	2	
• 2.1 - commissioning and procurement		3
• 2.2 - data quality and use of information		2
• 2.3 - good governance		2
• 2.4 - risk management and internal control		2

Use of resources theme and KLOE	Scored judgement	
Managing resources	3	
<ul style="list-style-type: none"> 3.3 - workforce planning 		3

20 The headline messages are as follows.

Managing finances

- 21 Financial and corporate planning processes are integrated through annual service planning. Each service plan includes a section which links to corporate priorities and how these will be achieved in the coming year. The Medium Term Financial Strategy is communicated to staff.
- 22 You engage with the public on priorities and spend. The budget is managed effectively although there needs to be more regular reporting to the Cabinet. Costs are understood and comparisons are used to drive decisions.
- 23 There is a sound approach to leadership with good devolution of responsibility. There is a good track record on meeting efficiency plans, but finding more efficiencies is becoming more and more challenging. Reporting to the public is an area for improvement.

Governing the business

- 24 You have a clear vision of what you seek to achieve and this provides a sound basis for buying the goods and services you need to meet your objectives and priorities. Your approach is tied into sustainability. There is clear engagement on purchasing, with stakeholders and the community, with clear web guidance.
- 25 Partnership is used to lever in the benefits of extra buying capacity. There are examples of redesign and using IT solutions. Working as part of the Bucks Procurement Group helps you to secure better joint outcomes. You have sound arrangements for producing and using performance information.
- 26 You lead on a Milton Keynes, Oxfordshire and Buckinghamshire wide project on member engagement and you are reviewing the senior management structure. Your leadership sets the right tone in terms of the ethical culture. There is good working with partners and the third sector on governance arrangements.
- 27 The strategic risk register needs updating on a more frequent basis - but risk management is underpinned by a robust system. Member training for risk management needs to be refreshed. There are basic arrangements in place to support an anti fraud culture and to deter fraud. Internal audit is adequate and the annual governance statement provides a realistic assessment. The business continuity plan needs updating.

Value for money and use of resources

Managing resources

- 28 The Council has effective arrangements in place for managing a small workforce in a competitive market. It has used appropriate arrangements to obtain, keep and develop its small workforce - and to maximise productivity. Retention rates are good; sickness levels are low; staff feedback is positive and external validation is positive.

Recommendations	
R1	Understanding costs <ul style="list-style-type: none">• Improve scrutiny of high cost areas.• Take into account deprivation when understanding and explaining costs.
R2	Financial reporting <ul style="list-style-type: none">• Ensure timely completion of accounts and working papers.• Provide summarised financial reports to Cabinet on a regular basis.• Tailor financial reports to the audience.• Consider diversity issues as part of the reporting process.
R3	Data quality <ul style="list-style-type: none">• Update the business continuity plan.
R4	Good governance <ul style="list-style-type: none">• Provide more evidence of impact and outcomes.
R5	Risk management and internal control <ul style="list-style-type: none">• Demonstrate clear links between risks and strategic objectives.• Update the strategic risk register on a more frequent basis.• Greater emphasis on member training.• Tighten up on monitoring the application of key internal systems controls.

Value for money conclusion

- 29 We 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 value for money conclusion at each type of audited body. Our conclusions on each of the areas are set out in Appendix 1.
- 30 I issued an unqualified conclusion stating that you had adequate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for money projects

- 31 As part of work in Buckinghamshire we have carried out two specific reviews across a range of public sector bodies to support our work on use of resources.
- **Buckinghamshire Pathfinder Project (November 2009)**
The Councils in Buckinghamshire are engaged in a major collaboration - the Buckinghamshire Pathfinder. This is looking at how better use can be made of public money to improve the services provided to people in the County through better cooperation, integration and joint commissioning of services. Our review focused on the arrangements for managing the Pathfinder Project.
 - **Health Inequalities - Phase 2 (November 2009)**
Buckinghamshire public sector bodies are jointly responsible for improving the health of the local population and for addressing health inequalities. Our review looked at the way the partners were working together.

Buckinghamshire Pathfinder Project

- 32 In July 2007, the Government accepted a 'Pathfinder' bid from the five Buckinghamshire councils to develop more effective public services in the County through cooperation, integration and joint commissioning of services. The councils have identified six work streams as potential areas for partnership, and include a broader set of partners including the Buckinghamshire Fire and Rescue Service and Buckinghamshire Primary Care Trust. These six projects form the first phase of the Pathfinder work. They aim to provide more effective local government by co-operative working and achieving better engagement to produce services that meet the diverse needs of local communities. They intend to build a strong role for councillors in the governance of the Partnership and as local representatives. They plan to make total savings of over £8.5 million per annum by 2013.
- 33 Since then, the Buckinghamshire Enhanced Two Tier Working Pathfinder Partnership ('the Pathfinder' or 'the Partnership') has made reasonable progress to establish new governance arrangements, build up experience of partnership working and develop projects. This has helped build much stronger trust and understanding between the partners. The Pathfinder has helped partners to drive projects forward more effectively than if they had been developed in an uncoordinated way. However, partners are still finding it difficult to establish an appropriate balance between safeguarding local interests and achieving the benefits of partnership that the Pathfinder offers.
- 34 Individual projects have progressed at different rates, but progress has been reasonable overall. The Partnership has passed its first significant test with Partnership Board approval of a detailed business case for an innovative shared services project. It is too early to see outcomes for local people, but the efficiency goals of the Partnership still appear realistic.

Value for money and use of resources

- 35 The Partnership is now starting to identify additional projects for investigation. It is embracing a more flexible approach, exploring the potential for smaller scale joint working between districts as well as opportunities for extending the Partnership across county boundaries. This has helped it to accommodate Chiltern District Council's decision to withdraw from the shared services project. This also demonstrates a deeper and more sophisticated understanding of partnership working.
- 36 Governance arrangements are still cumbersome and the Partnership's ability to deliver individual projects has not been tested yet. However, the early evidence is that governance is developing to meet the emerging needs of the programme.
- 37 Satisfactory performance management arrangements are in place at a project level, but the main indicators of success are financial savings. The full benefits of the Partnership for local people are still unclear. There is also limited performance management to measure the success of Pathfinder Project as a whole. Project management arrangements are in place, but there is no overview of these to give assurance that they are effective. The Partnership has assessed risks to progress and reports regularly on these.
- 38 In summary capacity is stretched within all five councils and the economic recession is placing additional constraints on capacity. The Pathfinder will produce some of the savings required to meet the needs of the partners, but not all. There is a risk that the business transformation agenda across the county will become dominated by partners' internal efficiency programmes and that opportunities will be lost to achieve greater savings and more effective public services through partnership.
- 39 The main challenges for the Pathfinder programme are now to:
- develop councillors' new roles in Pathfinder and their understanding of them. Councillors leading Pathfinder have to develop new skills and ways of working; backbench councillors also need to understand how their roles are changing;
 - manage potential risks to partnership working and delivery as a result of any changes in political control;
 - ensure that the Pathfinder becomes an integrated part of the partners' response to the current recession;
 - maintain communication with staff to ensure that the momentum of the Partnership is maintained without losing the commitment of managers and staff;
 - secure capacity to develop and deliver projects - particularly as a result of an urgent requirement for much larger savings to compensate for falling income and a need to focus on short and medium term savings for individual partners, rather than longer term efficiencies through the Partnership;
 - remain flexible and exploring new partnership areas where there may be opportunities for efficiencies and service enhancements;
 - develop new governance arrangements to move beyond project selection and oversee implementation and delivery of complex new projects;

- develop an overall performance and project management framework that recognises the importance of assessing the Partnership's success in delivering the Pathfinder project as a whole and its impact upon the partners; and
- extend performance management beyond assessment of financial efficiencies to consider the wider customer benefits that are to be delivered within projects.

Health inequalities - Phase 2

40 Improving health and tackling health inequalities in Buckinghamshire is the joint responsibility of the five councils and the Primary Care Trust. Other public sector bodies are key partners. People in Buckinghamshire are generally healthy. Life expectancy is higher than average and early deaths from heart disease, stroke and cancer are lower than average. Buckinghamshire is an affluent county with low deprivation and this has a direct impact. There are significant pockets of deprivation in Buckinghamshire and consequently, wide variations in health outcomes. The public sector partners in Buckinghamshire have recognised the relationship between deprivation and poor health and have drawn up a Healthy Communities Strategy which specifically addresses health inequalities and seeks to reduce the gap between good and poor health outcomes by focusing on four related areas:

- income maximisation – benefit take-up and debt management;
- tackling heart disease, diabetes and stroke in the most 'at risk' groups;
- affordable warmth; and
- systematic adoption of health inequalities impact assessment by the public sector.

41 We found that the following were established:

- strong performance management of the Local Area Agreement (LAA);
- partnerships clearly identified and clear engagement with key partners eg the acute sector;
- actions to address health inequalities implicit in both PCT and council plans;
- a public health steering group headed by a jointly appointed Director of Public Health and lead member; and
- engagement with the agenda by both Council members and PCT non-executive directors.

42 Areas for further development included:

- the need for a clear and robust governance framework;
- clearer and more consistent mechanisms for public and service user involvement;
- wider development of public health information to inform decisions;
- systematic engagement of the workforce;

Value for money and use of resources

- an improved focus on performance management of all actions related to health inequalities; and
 - using the wider influence of key organisations to reduce health inequalities through corporate responsibility principles.
- 43 This is consistent with the level of achievement being reported elsewhere by the Audit Commission itself and other bodies working in this field.

Closing remarks

- 44 We have discussed and agreed this letter with the Chief Executive and the Head of Finance. We will present this letter at the next Audit Committee and will provide copies to all members.
- 45 Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to Chiltern District Council during the year.

Table 3

Report	Date issued
Audit plan and supplementary opinion plan	June 2008 and February 2009
Annual governance report	September 2009
Auditor's report giving an opinion and VFM conclusion	September 2009
Health inequalities report (Buckinghamshire)	October 2009
Pathfinder project (Buckinghamshire)	October 2009

- 46 You have taken a positive and constructive approach to our audit. We wish to thank you and your staff for your support and co-operation during the audit.

Mick West
District Auditor
December 2009

Appendix 1 – Use of resources key findings and conclusions

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

Managing finances

Theme score 2
Key findings and conclusions
Financial and corporate planning processes are integrated through annual service planning. Each service plan includes a section which links to corporate priorities and how these will be achieved in the coming year. The Medium Term Financial Strategy is communicated to staff. The Council engages with the public on priorities and spend. The budget is managed effectively although reporting to Cabinet may need to be more regular. Costs are understood and comparisons are used to drive decisions. There is a sound approach to leadership – with good devolution of responsibility. There is a good track record on meeting efficiency plans - but finding more efficiencies is becoming more and more challenging. Reporting to the public is an area for improvement.

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>3</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>Financial and corporate planning processes are integrated through annual service planning. Each service plan includes a section which links to corporate priorities and how these will be achieved in the coming year. There are also sections on value for money and efficiencies, the Local Area Agreement (LAA) and how the service will contribute to the LAA targets. Services are asked to identify possible risks to service provision in the coming year, how a 5 per cent, 10 per cent and 15 per cent cut in budget could be achieved and what the impact of this would be. Assumptions are reasonable and the current situation is reviewed regularly and the Medium Term Financial Strategy (MTFS) updated as necessary.</p> <p>Cabinet recognise and praise staff for community based activity which provides improved outcomes for the community eg sports zone, community appraisal / market town health check process.</p> <p>The Council has worked with partners to achieve better outcomes for residents. It has: worked with Paradigm to secure £100,000 investment in the Disabled Facilities Grant (DFG) fund to enable the Council to match funding and increase its DFG programme; developed the affordable warmth LAA target to attract greater investment from Warmfront and the utilities into Bucks. LAA fuel poverty targets are now being achieved with minimal cost to the Council.</p> <p>The Council has made good use of financial planning to redirect resources to high priority areas eg the creation of a new energy post and other staff changes to meet the requirements of new energy legislation and respond to the effects of climate change.</p> <p>The Council engages with local communities and stakeholders in financial planning. Meetings were held with the Federation for Small Businesses to discuss the effect of the economic downturn on businesses. As a result, the Council agreed to take actions in order to support small businesses including paying suppliers promptly.</p> <p>Engagement with stakeholders ensures that the Council's priorities reflect those of the community. The Council engages widely with the community in establishing priorities. Effective engagement ensures that the priorities of the Council meet the needs of the community.</p> <p>The Council engages with local communities in the financial planning process. A questionnaire was put on the website and also issued to 36,000 homes in the Chiltern Chronicle in order to consult on the budget. Members took note of the outcomes of this when planning the budget and kept parking charges on hold. Consultation with the community enables priorities to be identified and Council priorities to be aligned to those of the community.</p>	

Appendix 1 – Use of resources key findings and conclusions

The Council is in a sound financial position. It is debt free and has no reliance on investment income or reserves to balance the revenue budget. This has been achieved through effective budgetary management and identifying continuous savings (pest control contract), service improvements (homelessness prevention), external funding opportunities (BIG lottery funding for play, CLG trailblazer), partnership opportunities (demand led transport review with Dial A Ride as part of Pathfinder, BIG lottery Funding for Play, CLG Trailblazer), external procurement options (Nexus and pest control) and the opportunity to contract or agree service delivery with the Third Sector (CAB, Dial A Ride, Voluntary Impact Contract).

The budgets for service areas have been devolved to give greater accountability, management and control over the whole process. There is clear evidence for member and corporate team constructive scrutiny and challenge.

KLOE 1.2 (understanding costs and achieving efficiencies)

Score

2

VFM criterion met

Yes

Key findings and conclusions

As a smaller Council, the main costs are found in the payroll and major service contracts, where costs do not change greatly over time. In service areas, the Audit Commission VFM profiles are used to assess the costs and benchmark against other authorities. As part of Pathfinder project, costs in services are being analysed to see where efficiencies can be made eg support services.

Any new capital investment or contract requires a business case that has regard to the Council's procurement strategy, whole life costs, value for money and sustainability issues and includes funding proposals and on going revenue implications. There are clear criteria when to apply such an approach, i.e. for major capital and contract decisions, the Council has appraised impact on wider social, environmental and economic factors, and how these interact to achieve sustainable development. Weightings are given to qualitative decisions when considering options appraisals. Costs and benefits of planned changes are clearly set out in the service plans, linked to strategic objectives. Costs are analysed and compared on a regular basis.

The Council takes account of its understanding of costs and performance in decision making and commissioning. On making a decision on the future for waste in Chiltern the Council employed consultants who completed a report detailing information on costs, performance and comparisons with other districts, along with options available. Having the maximum amount of information available to inform decisions increases the likelihood of an effective decision being made.

Appendix 1 – Use of resources key findings and conclusions

As part of the annual service planning process, the Council reviews costs to assess whether they are commensurate with the range, level and quality of services provided. Potential for efficiencies are investigated, along with cost analysis of the prior year. VFM profiles show that Chiltern’s costs are not significantly higher than nearest neighbours.

The Council looks for innovative ways of achieving efficiencies; eg the ongoing Pathfinder project is aiming to achieve efficiencies through partnership working across Buckinghamshire Councils. Efficiency savings in the Council are demonstrable. The Council's Annual Efficiency Savings (AES) target of £1m efficiency savings over three year period has been delivered. The Council is focused on making efficiencies as government targets are likely to be more stretching in the future.

The Council has achieved savings through joint procurement with partners; eg working with the other Buckinghamshire authorities in order to provide one Council Tax leaflet for each household rather than two and joint working on concessionary fares. This has provided cost savings for the authorities involved and improved the outcome for the customer. Other examples include the joint procurement of the choice based lettings system and the joint pest control, dog control and dog waste contracts.

The Council has a strategy in place to achieve efficiencies. The efficiency strategy focuses on value for money and achieving efficiencies by business process reengineering, smarter procurement and better asset management. This strategic approach to efficiency savings means the Council has a focus on redesigning services in order to achieve those savings and continue to provide an effective service. Areas for improvement include scrutiny of high cost areas and taking into account deprivation when reviewing cost patterns.

<p>KLOE 1.3 (financial reporting)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
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Key findings and conclusions

Budget monitoring information is relevant, reliable and understandable. Three types of monitoring take place: monthly budget monitoring information to budget managers, monthly reporting to management team, and reporting to Cabinet. These are produced throughout the year and lead to prompt action to address variances. A key area of focus for variances is salaries. Advertising of all vacant posts has to be through a formal request to management team, with justification, and then approved by leader.

Internal Audit annually review budgetary control and associated systems providing substantial assurance. Regular meetings are held with budget managers and any training needs are incorporated into these meetings on an ad hoc tailored basis.

Appendix 1 – Use of resources key findings and conclusions

Monthly reporting to management team includes out-turn reports - these are consistent with externally reported information at year end. Reconciliations are completed so that management team and members are clear that information is consistent. Out-turn for 2008/09 is within 1.3 per cent of budget and most financial performance indicators are within the upper quartile. This is an example of good data quality. All Cabinet reports have a financial implications section showing the latest underlying position. Cabinet reports also include separate sections for risk, sustainability and equality implications and are linked to strategic objectives. Reporting to Cabinet is on an exception basis. Regular revenue reporting did not take place during 2008/09. However recent report to Budget and Financial Strategy Committee outlined proposals for summarised reporting.

Accounts were approved before the deadline of the 30 June and have previously been published before the 30 September deadline. Impairments were incorrectly presented in the income and expenditure statement (not apportioned to service heads) and other parts of the statements were unfinished at the time of approval. Staff shortages and the use of a temporary contractor delayed responses to audit queries. All working papers were not ready for the start of the audit but those that were ready were of good quality.

Accessibility issues have been considered. This includes variable text size on website, translation services available (but not mentioned on accessibility page), language line (also not mentioned) and the Chiltern Chronicle available on tape for visually impaired. The translation service does not work in Trove (the Council minute store) so most reports and all minutes are actually inaccessible. Finding a report through Trove is time consuming and difficult. The Council recognises that Trove is not fit for purpose and is in the process of replacing it.

Community appraisals enable monitoring of information needs of residents whilst the website survey information informs the Council on its appropriateness of information. Focus groups are used for specific services, but there is no evidence of tailoring of reports.

The published Procurement Strategy includes a section on sustainability issues and the Council's environmental performance is included in the Chiltern Climate Change Strategy. A climate change working group has been set up to take work forward. Each decision now taken by Cabinet contains a section on sustainability and the Council's activities in relation to climate change can be found on its website.

The Council recognise that diversity is an 'area for improvement'.

Governing the business

Theme score 2	
Key findings and conclusions	
<p>The Council has a clear vision of what it seeks to achieve and this provides a sound platform for commissioning and procurement activity. Its approach is tied into sustainability. There is clear engagement with stakeholders and the community with clear web guidance. Partnership is used to lever in the benefits of extra buying capacity. There are examples of redesign and using IT solutions. Collaborative working with the Bucks Procurement Group secures better joint outcomes.</p> <p>Sound arrangements are in place for producing and using performance information.</p> <p>The Council leads on a MKOB wide project on member engagement and is reviewing the senior management structure. The leadership sets the right tone in terms of the ethical culture. There is good working with partners and the third sector on governance arrangements. The basics are established.</p> <p>The strategic risk register should be updated on a frequent basis - but risk management is underpinned by a robust system. Member training needs to be refreshed. There are basic arrangements in place to support an anti fraud culture and to deter fraud. Internal audit is adequate and the annual governance statement provides a realistic assessment. The business continuity plan needs updating.</p>	
KLOE 2.1 (commissioning and procurement) Score VFM criterion met	3 Yes
Key findings and conclusions	
<p>The Council has a clear vision of intended outcomes for local people. The Council's key objectives clearly state the corporate priorities and the sub priorities and the actions to complete in order to achieve them.</p> <p>The Council has a robust commissioning and procurement strategy. The strategy includes links to sustainability and includes a 'sustainable procurement policy' and minimum specifications for some goods to enable sustainability. The policy includes an action plan which has been monitored and updated. Commissioning decisions are based on whole life costs. A clear strategy ensures that decisions are made which reflect corporate priorities underpinning the commissioning and procurement strategy.</p>	

Appendix 1 – Use of resources key findings and conclusions

The Council involves local people, partners and suppliers in commissioning services through its website. There is a clear, accessible explanation of commissioning and procurement strategy on the Council's website and guidance on web pages for service users, the community and potential suppliers. Information on the website is making the community aware of the Council's approach to commissioning and it helps to provide clear and relevant guidance.

Joint commissioning with other Buckinghamshire Councils and joint working has improved outcomes for residents. The Buckinghamshire County Council and District Councils have worked together on a joint waste strategy and this has led to improved outcomes for the community. This includes a proactive approach to fly tipping as the Council's resources are used to pursue prosecution and proactive work on education on waste issues as pooled resources have made this possible. Sharing and pooling resources in certain areas has led to improved outcomes for the community and efficiencies for the Council. This includes the provision of a joint reception for Buckinghamshire County Council services in the District Council offices. Efficiency savings identified to date include for the first time this year the Councils joined together to produce one Council Tax leaflet for each district area rather than two. Using partnership working across the county has identified areas where joined up working can deliver savings and a more efficient outcome for the customer.

The Council supports the third sector. The Council invests jointly with South Bucks District in the Citizens Advice Bureau (CAB). This has had a positive outcome for Council tax payers. The Council assesses that it has resulted in the equivalent of £0.4m worth of benefit and debt advice being delivered by volunteers that the Council would otherwise have had to fund. Offering funding to third sector influences the supply market and brings down costs.

The Council has improved services provided by making effective use of IT. The corporate land and property gazetteer (LLPG) has been key to the Council's integrated IT systems and has benefited efficiencies, customer care and data quality. For example the corporate LLPG is now linked to applications within various services reducing the number of address databases held within the authority from 29 to one. In recognition of this work the Council received a runner up award for business transformation from IDeA.

The Geographical Information System (GIS) and LLPG have also improved the accessibility of information for planning applications and reduced the turnaround time for searches to 24 hours from ten days. A new core system in benefits and the use of e-forms/payments for claimants has supported mobile working which has subsequently reduced processing times. Maximising IT initiatives in service delivery lead to efficiencies and a more accessible service.

The Council has taken action to support small businesses in the market. The Council meets with the Federation for Small Businesses to discuss the effect of the economic downturn on businesses. The Council agreed actions to support the federation including paying small suppliers promptly. Prompt payment to small businesses is a support in a time of recession.

Appendix 1 – Use of resources key findings and conclusions

The Council is proactive in evaluating different options for procuring services. The Council is a member of the Bucks Procurement Group and seeks to procure services jointly where possible. For example, Chiltern led on work to procure a paper sorting facility which was procured using the Council's legal team on behalf of the other two districts in south Buckinghamshire. Working proactively to ensure joint procurement and e-procurement leads to savings for the Council because of economies of scale and a reduction in back office support.

KLOE 2.2 (data quality and use of information)

Score

2

VFM criterion met

Yes

Key findings and conclusions

Overall arrangements for securing data quality demonstrate good performance, in respect of the financial year 2008/09. Internal Audit reports provide good evidence for consistent maintenance of high standards of data quality.

Arrangements for collecting, recording and reporting data are integrated into business planning and management processes. There are clearly defined data requirements focusing on strategic objectives and services eg data reports to Cabinet and Committees to inform decisions.

The Council's approach and expectations around data quality have been circulated and agreed by staff with data handling responsibility. Expectations have also been inserted into relevant staff job descriptions. Internal Audit procedures now include a review of data quality arrangements as part of service audits. Heads of services provide annual assurances over their allocated performance indicators and the arrangements concerning their management.

Mechanisms are in place to monitor performance and to address under performance. Performance information is reported regularly detailing progress towards Council objectives, progress towards LAA targets and performance indicators. Information is presented in graphical format and symbols are used which easily identify areas of under performance. Effective monitoring means that areas of under performance can be addressed at the earliest opportunity and action taken to prevent further deterioration. This has been evidenced in both the data quality spot check and housing benefit testing.

The Partnership Performance Group meets regularly to consider data quality and is planning to develop an agreed set of standards and actions around data quality for all partners.

Appendix 1 – Use of resources key findings and conclusions

The availability of useful data continues to be expanded. Sharing of data systems and use of detailed data based on broader areas highlights health inequalities and can lead to resources being targeted effectively. Sharing data through home safety checks is also evidence of joined up thinking. This enables effective targeting of resources.

Internal Audit's Report on IT Data Security shows that the Council has reviewed internal controls for data security and is consequently undertaking a number of actions. Concerning access to data, ICT perform annual health checks and penetration testing on the network and have always received a clean bill of health.

A Business Continuity Plan is in place covering business critical systems. The last update took place in Feb 07. ICT have contracts in place to maintain all key equipment and software owned by the Council. A number of disaster trials have taken place and have proven that the entire network can be rebuilt in three days. The disaster recovery contract is being re-tendered shortly.

ICT security policies are reviewed and amended on a regular basis and are available on the Intranet. They have been updated to reflect government connection standards. Arrangements for data security and compliance emails give details of the arrangements in place. Multiple mechanisms are in place to ensure data security, enforced by a very competent IT department.

There have been no security incidents either in this or in previous years.

KLOE 2.3 (good governance)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Constitution Review Committee reviews and updates the constitution as needed. There is a good working relationship between Members and Officers – with a weekly informal Cabinet/Management Team meeting, pre Joint Improvement Board briefings, customer services workshops for officers and members; a disability focus group; and community cohesion group.</p> <p>Members receive induction training and ongoing development opportunities are available through an online e-learning module. There are specific member training budgets.</p> <p>In early 2009, the Council was the lead authority for the MKOB member engagement project. The member development questionnaire asked members to undertake an analysis of their own role and identify needs to enable them to perform it more effectively. The Council is currently leading on member development and intends to implement individual personal development plans for members.</p>	

The Council has recently carried out a Senior Management Review in order to make savings and better focus responsibilities. The Council has a clear vision of intended outcomes for local people. The Council’s key objectives clearly state the corporate priorities, sub priorities and actions. As the Council is aware of what it wants to achieve for local people it can use this to monitor progress against these priorities.

The Council maintains focus on its purpose and vision. The priorities of the Council are clearly communicated to staff. The Chief Executive holds a staff seminar and the priorities are displayed on posters and on the intranet and website. Clear priorities mean that staff remain focused on what they are contributing to achieving.

All key partnerships are subject to an annual review process. The Council participated in a joint review of the Local Strategic Partnership (LSP) for Buckinghamshire, which is one of the Council’s major partnerships, with the other local authorities in the LSP. Policy officers across Bucks have undertaken a joint review of all partnerships, indicating a constructive working relationship. This included sharing risks of working with different partners identified by the different organisations, focusing on whether the partnerships are providing effective outcomes and value for money. Other examples include a fraud and welfare partnership; and engagement with older people action groups.

The Council has signed a locality wide agreement governing relationships with voluntary and community organisations. The third sector is also included in partnership risk register as a significant partnership.

KLOE 2.4 (risk management and internal control)	
Score	2
VFM criterion met	Yes

Key findings and conclusions

The Strategic Risk Register was updated in October 2007 and more recently in August 2009. The link between risks and strategic objectives is tentative. The likelihood of identified risk occurring is assessed in a matrix style and likely consequences are listed. Risks are assigned to named officers.

The Council uses a very comprehensive risk management tool called Covalent. This system ensures that service risks are regularly updated and assigned to individuals for ownership. The likelihood of a risk occurring and its potential impact are both assessed.

All significant partnerships have been identified and for those where the risk is seen as high, a named officer has been assigned to that partnership risk.

Appendix 1 – Use of resources key findings and conclusions

Management training for members has been provided in the past but requires a refresh.

Evidence for improved outcomes within the Council is a reduced number of insurance claims; but there is no clear evidence for a positive risk culture and no evidence for sharing of intelligence with partnership organisations.

Counter fraud and corruption are linked to the Council's objectives; however, it is not included as a corporate risk.

A Chiltern & South Bucks partnership was established to look at fraud and welfare fraud partnership PID. This is a partnership specifically looking at fraud rather than arrangements across them.

The internal audit annual review looks at non-compliance with policies and procedures to identify cases of fraud. The areas assessed are in line with the Audit Commission's anti fraud and corruption guidance. They include the review of expense claims, loans and investments and Criminal Records Bureau (CRB) checking procedures. Preventative counter fraud arrangements are in place including CRB checking and participation in the National Fraud Initiative. The Council demonstrates a strong deterrent effect by reporting fraud cases in Chiltern Chronicle and local press.

During the course of our audit we discovered a number of issues of concern around systems controls which resulted in additional work. These issues primarily related to lack of evidencing of controls. The extra audit testing did not find any significant errors. In particular:

- authorisation controls for journals were limited;
- treasury management authorisation procedures were not always followed;
- authorisation controls for payroll reconciliations and variances were weak;
- daily cash management reconciliations were not reviewed and authorised on a regular basis; and
- monthly reconciliations for feeder systems (ie benefits, business rates and council tax) into the general ledger were not routinely subject to authorisation.

The Council has a business continuity plan, which was last reviewed in February 2007. The plan complies with the Civil Contingencies Act 2004. Basic system notes have been provided by internal audit for most financial systems.

Assurance is provided on the Council's arrangements for risk management through the annual Cabinet approval of the risk management strategy, through internal audit reports and the Annual Governance Statement and reporting on financial performance through external audit reports.

Managing resources

Theme score 3	
Key findings and conclusions	
The Council has effective arrangements in place for managing a small workforce in a competitive market. It has used appropriate arrangements to obtain, keep and develop its small workforce - and to maximise productivity. Retention rates are good; sickness levels are low; staff feedback is positive and external validation is positive.	
KLOE 3.1 (use of natural resources) Score VFM criterion met	not applicable Yes/No
Key findings and conclusions	
Assessment not required for 2008/09	
KLOE 3.2 (strategic asset management) Score VFM criterion met	not applicable Yes/No
Key findings and conclusions	
Assessment not required for 2008/09	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 3.3 (workforce planning)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council takes steps to ensure it has a productive and skilled workforce. The Council has identified areas where it is difficult to recruit and introduced career grades and retention payments. There is an effective performance related pay scheme that reinforces the corporate message and is used effectively to encourage productivity. Productivity is measured in service areas and this is linked with performance related pay. The Council invests in staff and spends twice the national average on training. Taking steps to ensure that workforce is adequately trained, motivated and productive increases the likelihood of staff retention and maximises the use of staffing resources.</p> <p>The Council has low sickness levels across the organisation and an effective sickness absence policy is in place. The sickness absence policy details what action the member of staff needs to take, the sickness control procedure and provision for return to work interviews. Managing absence maximises the availability of staffing resources.</p> <p>The Council is a good employer and has a well developed approach to training and development. The Council received an excellent Investors in People assessment report, retaining accreditation since 1993 and was a finalist in the Times Best Council to work for. The Council is marketing itself as a good employer in order to attract staff and finds that people approach the Council for employment. The Council ensures that it has mechanisms in place to retain and attract good staff ie career paths, apprenticeship scheme, retention payments and fast track training. Satisfaction is high with low turnover and sickness levels. Being seen as a good employer means that the Council is able to attract and retain staffing resources.</p> <p>The Council has a proactive approach to equalities. The Council has the GARDE equality scheme which is well publicised on the website and is currently being rewritten in preparation for the new Equalities Framework. The Council self assessed at Level 3 of the equalities standards. Equalities Impact Assessments are considered when policies are changed or reviewed but each service carries out a self assessment as part of the GARDE scheme and these have resulted in changes such as more focused outreach working in benefits. Equalities training is carried out at induction and the Council regularly consults with an active disability forum. A proactive approach to managing diversity means that the Council can ensure that its policies encourage equality and do not impact negatively on any minority groups.</p>	

Appendix 1 – Use of resources key findings and conclusions

The Council undertakes workforce planning as an integral part of service planning. Services understand the needs of the service and review needs against resources annually. The Council takes every vacancy as an opportunity to review structures. Environmental health is an example where recently when a vacancy arose a review was carried out and roles changed to refocus on priorities. High investment in training and IT aid workforce planning. The Council will be involved in the county wide work force strategy. Continually reviewing availability of resources and their use ensures that limited capacity can prioritise the delivery of key services. The workforce strategy is in need of update and is being refreshed and improved in the autumn.

Chiltern District Council effectively engages and supports staff in organisational change. The Council encourages the engagement and support of staff, including in decisions that affect them. Communication briefings are held regularly. The Council has a staff newsletter 'Chinwag' which is used as one of the means of communicating. Effective communication of change ensures that staff remain motivated and bought in to the change.

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Audit Letter 2008/09 Recommendations						
9	R1 Understanding costs <ul style="list-style-type: none"> Improve scrutiny of high cost areas. Take into account deprivation when understanding and explaining costs. 	2	MT and Heads of Service	Agreed	Audit Commission VFM profiles reviewed by Cabinet in Oct 2009 but no issues of concern over high costs. Further report requested when next set of data becomes available. Greater emphasis on customer insight eg using ACORN data.	June 2010
9	R2 Financial reporting <ul style="list-style-type: none"> Ensure timely completion of accounts and working papers. Provide summarised financial reports to Cabinet on a regular basis. Tailor financial reports to the audience. Consider diversity issues as part of the reporting process. 	2	Head of Financial Services	Agreed	Dependent on adequate resources. Quarterly reports in place and further developments planned. To be reviewed. To be reviewed.	June 2010 Ongoing to March 2010 As appropriate As appropriate

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R3 Data quality <ul style="list-style-type: none"> Update the business continuity plan. 	2	MT and Heads of Service	Agreed	Business Continuity Plan update underway.	March 2010
9	R4 Good governance <ul style="list-style-type: none"> Provide more evidence of impact and outcomes. 	2	MT and Heads of Service	Agreed	Further evidence to be provided.	March 2010
9	R5 Risk management and internal control <ul style="list-style-type: none"> Demonstrate clear links between risks and strategic objectives. Update the strategic risk register on a more frequent basis. Greater emphasis on member training. Tighten up on monitoring the application of key internal systems controls. 	2	MT and Heads of Service	Agreed	<p>Linkages included as part of review (see below).</p> <p>A review and update of both Strategic Risks and Key Objectives was completed in December.</p> <p>Member training to be arranged.</p> <p>Being implemented.</p>	<p>Completed</p> <p>Completed</p> <p>March 2010</p> <p>Jan 2010</p>

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