

# Annual Audit Letter

Lincolnshire County Council

Audit 2008/09

December 2009



---

# Contents

<b>Key messages</b>	<b>3</b>
<b>Financial statements and annual governance statement</b>	<b>5</b>
<b>Value for money and use of resources</b>	<b>7</b>
<b>Organisational assessment</b>	<b>12</b>
<b>Closing remarks</b>	<b>14</b>
<b>Appendix 1 – Use of resources key findings and conclusions</b>	<b>15</b>
<b>Appendix 2 – Action plan</b>	<b>22</b>

---

## Status of our reports

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

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

# Key messages

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

---

## Audit opinion

- 1 Unqualified audit opinions were given on the County Council and Lincolnshire Pension Fund Accounts on 14 October 2009.
- 

## Financial Statements

- 2 The draft 2008/09 financial statements were produced before the required statutory date. The final statements included the amendments identified as required and officers are taking the agreed actions to improve the Council's capital accounting arrangements.
  - 3 My predecessor has concluded not to issue a report in the public interest following an earlier objection to the Council's 2006/07 accounts.
- 

## Value for money

- 4 An unqualified value for money conclusion was given on 14 October 2009.
- 

## Organisational Assessment

- 5 Our assessment of the Council as an organisation is that it performs well. The Council has made good progress, improving front line services and improving the efficiency of its own operations.
  - 6 Our assessment of the Fire and Rescue Authority is that it also performs well. It is meeting its priorities and should continue to improve.
- 

## Financial Position

- 7 Spending was kept within the overall budget in 2008/09 and the Council's current financial health is sound. Major challenges lie ahead in the light of the uncertain economic prospects and other operational and financial pressures. The Council has been taking steps to enable it to effectively plan and respond. You should continue to maintain effective governance of financial and service planning, monitor regularly your financial position over the short and medium term and take appropriate decisions promptly in order to maintain your good financial standing.
-

**Table 1      Audit fees**

	<b>Actual £</b>	<b>Plan £</b>	<b>Variance £</b>
Financial statements and annual governance statement	178,200	165,500	12,700
Value for money	114,000	114,000	0
<b>Total audit fees</b>	292,200	279,500	12,700

- 8** The variance in the proposed audit fees reflects additional audit work required in the year in response to new risks and issues which emerged since the original plan was issued. These reflected work required under auditing standards, with additional assurances required regarding Pension Fund admitted bodies' contributions and the reconciliation arrangements in place, and the additional audit work required in resolving the significant capital accounting and financing errors identified during the audit.

### Actions

- 9** Recommendations are shown within the body of this letter.

### Independence

- 10** 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

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

---

## Significant issues arising from the audit

- 11 The draft Financial Statements were approved by the Council on 19 June 2009, enabling the Council to meet the 30 June 2009 deadline under the Accounts and Audit Regulations 2007.
  - 12 The findings from the audit, and the agreed amendments to correct errors in the Financial Statements, were reported in my Annual Governance Report to the Audit Committee in September 2009. Additional audit work was necessary on the County Council and Pension Fund accounts audit due to, amongst other things, initial difficulties in accessing electronic working papers and work required to resolve the significant matters arising from the audit testing carried out and agreeing the changes to the statements. The amendments to the statements reflected, amongst other things:
    - the outcome of the year-end impairment review of land and buildings and correction of other errors made in processing revaluations for land and buildings;
    - the correct disclosure of movements on fixed assets under construction and corrections to the carried forward balance;
    - correction of errors in the accounting entries for fixed asset disposals; and
    - Pension Fund contributions receivable omitted from the Fund Statement and relatively minor corrections to the Pension Fund Accounts disclosure notes.
  - 13 Unqualified opinions on the County Council and Lincolnshire Pension Fund Accounts were given on 14 October 2009.
- 

## Material weaknesses in internal control

- 14 To comply with auditing standards we need to assess the risk of material misstatement arising from the activities and information systems used to produce the Council's financial statements. I reported my findings in the Annual Governance Report. We did not identify any significant weaknesses in these internal control arrangements in relation to my audit opinion on the County Council's Accounts, although additional testing was necessary to address specific risks identified in planning the audit. We needed to carry out, for the Pension Fund opinion, additional work in response to identified weaknesses in the financial administration controls and reconciliation procedures relating to the accuracy and completeness of admitted bodies' contributions. These procedures have been improved in 2009/10.

---

### Accounting Practice and financial reporting

**15** The Council overall has well established arrangements for preparing annual financial statements which are substantially SORP compliant in accordance with the timescale required by the Accounts and Audit Regulations. The findings from my audit however indicated that the capital accounting processes and systems in place needed to improve if the Council is to prepare future accounts which are free from significant errors and if it is to effectively respond to the more onerous requirements of International Financial Reporting Standards. I made recommendations covering these matters in my Annual Governance Report and they are not repeated here. Officers have agreed to address the identified areas for improvement during 2009/10.

---

### Objection to the 2006/07 accounts

**16** In October 2009 my predecessor determined an objection to the accounts received in August 2007 when he was the appointed auditor. The objection concerned the fact that the County Council did not pursue recovery of costs it had previously incurred relating to the termination of the former Chief Executive's employment, and associated legal costs. The objector argued that, following a Standards' Board investigation of the former Leader and the Adjudication Panel for England's (APE) critical report in April 2006, the costs should have been recovered from the former Leader of the Council and from the firm of solicitors acting for the Council. The objector asked that my predecessor issue a public interest report.

**17** After considering all the material facts, including written submissions from both the Council and the objector and the actions taken by the Council following the APE's report, my predecessor decided not to issue a public interest report. He issued his Statement of Reasons to the objector and the Council in October 2009. The audit for 2006/07 has now been closed.

**18** My predecessor takes the view that the Council considered the implications of the APE's report and reported them promptly to the Standards Committee in April 2006, but the consideration at the time was not as robust as it should have been. Whilst it is apparent from the report to the Committee that recovery was considered, it is not clear whether this included possible recovery from the former Leader and there is no other clear evidence to confirm that it was.

**19** The Council has subsequently considered the possibility of recovery from the former Leader comprehensively, as part of its written response to the objection, and concluded there is no basis for recovery. Given the seriousness of the findings of the APE report, and the cost of the severance package to the Council at more than £400,000, my predecessor stated it would have been appropriate to have documented and reported this to members more clearly following the APE report.

#### Recommendation

**R1** In any future high profile cases ensure the reasons for key decisions are fully and formally considered and documented.

---

# Value for money and use of resources

I considered how well the County Council and the Fire Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave scored use of resources judgements.

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

---

## Use of resources judgements

- 20** In forming my scored use of resources judgements, for the County Council and the Fire Authority, I 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.
- 21** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 22** The final use of resources theme scores are shown in Table 2. The detailed findings and areas for improvement for the three themes and the underlying KLOE have been reported separately and discussed with officers. They are summarised in Appendix 1.

---

**Table 2** Use of resources theme scores

Use of resources theme	Scored judgement Lincolnshire County Council	Scored judgement Lincolnshire Fire Authority
Managing finances	3	2
Governing the business	2	2
Managing resources	2	2

---

- 23** Lincolnshire County Council scores 2 out of 4 for use of resources. The Council manages its finances well. It checks on and improves value for money by making changes to poorly performing services. Net spending per head of population is below the average for county councils. In 2008 it saved £18.5 million and has plans to save £194 million over the next four years. This helps it to keep council tax low compared to other councils. Savings are now being spent on improving local priorities, such as improved roads and transport links and supporting local businesses to create new jobs.
- 24** Councillors and staff work together to take decisions. Council leaders show good political leadership and councillors monitor the performance of services to help ensure that targets are met. Local people including children are consulted to make sure services meet their needs, and the Council is taking steps to ensure this includes harder to reach groups such as black and ethnic minorities and people with disabilities.
- 25** The Council is reducing how much it pollutes the environment. It is improving the way that buildings are used, including sharing them with other public services to save money and provide services closer to where people live.
- 26** Lincolnshire Fire Authority scores 2 out of 4 for Use of Resources. We awarded a score of 2 because the Authority plans its spending properly, stays within its budget and its costs are broadly in line with other Fire and Rescue Authorities. It could do more to understand the effects of its actions and whether it is spending money and effort on the right things. It has reviewed shift patterns to improve efficiency but implementation has been delayed by disputes with the union. Improvements in sickness absence have improved efficiency. Opportunities to buy things with partners are providing savings and improving the services that can be provided to the community.
- 27** Although the overall theme scores under the revised use of resources framework are lower than the scores achieved in previous years, this does not necessarily reflect any deterioration in overall performance as the basis of the assessment has been revised. An overall theme score of 2 means that the arrangements we would expect to see are in place and in many areas the Council and Fire Authority still perform strongly, relative to many other councils. The challenge in order to achieve higher scores is to demonstrate how your arrangements result in improved outcomes consistent with your aims and those of your key partners.

---

### VFM conclusion

- 28** 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.
- 29** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Financial position

- 30** I have also considered the Council's financial position in the year. Spending was overall well within budget in 2008/09, the planned efficiencies target was met and the year end General Reserve balance was at the maximum of the risk assessed target range.
- 31** Performance against the 2009/10 budget is being closely monitored but does not currently give cause for major concern. Mid way through the year total revenue spending was predicted to be around £1.5m more than total budget, excluding underspent school budgets. The main areas of current overspend are within Adult Social Care where, mainly due to demographic pressures and initial difficulties in responding to the demanding £4.9m savings target, a £2.3m overspend is being forecast. Revenue balances are still expected to close to the upper limit of the target range.
- 32** Although its current financial health is sound the Council is aware of the financial risks and service pressures in the medium term, together with major operational challenges faced. The Council has been taking steps to enable it to effectively plan and respond. The 2009/10 budget already includes investments designed to deliver future savings, such as stronger programme management arrangements and the New Ways of Working review. Efficiency plans have been risk assessed and included within the performance management framework. The current Financial Strategy is being reviewed and revised to reflect external changes and the financial risks faced. A new Strategy is expected to be in place for 2010/11. Members have been closely involved in determining the Council's planned response to managing the effects of the economic downturn, with the Value for Money Scrutiny Committee reviewing proposals and providing comment to the Executive. The 2010/11 and 2011/12 revenue budget proposals are due to be decided by the Executive on 15 December 2009 and then consulted on further.
- 33** Major challenges lie ahead in implementing policy decisions in the light of the uncertain economic prospects and the expected cuts in central government funding in future years. It is essential that the Council continues to maintain effective governance of financial and service planning, monitor regularly its financial position over the short and medium term and takes appropriate decisions promptly in order to maintain its good financial standing.

Recommendation	
<b>R2</b>	Continue to maintain effective governance of financial and service planning, monitor regularly the financial position over the short and medium term and take appropriate decisions promptly in order to maintain good financial standing.

---

## Local Area Agreement

- 34** Local Area Agreements (LAAs) aim to enable public, private and community and voluntary sector bodies to pool their efforts and financial resources in order to improve service outcomes and quality of life for local people. The duty to prepare and performance manage the LAA rests with the County Council. The involvement and commitment of all partners is clearly central to the effective delivery of LAA targets which reflect local priorities.
- 35** As part of our 2008/09 audit we agreed with the partner authorities in Lincolnshire that we would carry out a review of the risks associated with participation in the LAA.

## Findings

- 36** At the time of the onsite work the Lincolnshire LAA was at an early stage of development. As a direct result of a concentration by partners on process and procedure few outcomes were likely to be delivered in the short term. This audit therefore concentrated on assessing if the correct building blocks were in place to ensure the delivery of outcomes the public will benefit from.
- 37** We found that the partnership was making progress in developing robust governance and performance management arrangements, although there were some specific aspects of good governance and process still to be implemented. Most of these will be put in place once the partners merge the LAA priorities in the Sustainable Communities Strategy for Lincolnshire. This is not likely to happen until the end of 2009/10. We recommended partners:
- clarify roles and expectations of each of the partners including priority leads, as well as programme management and working protocols to ensure that key timelines are met and delivery of outcomes remains on plan;
  - draft terms and conditions of funding in detail to ensure appropriate allocation and governance, and the appropriate use on priorities that will make a difference;
  - implement clear processes to ensure value for money is delivered, develop clear links between financial and performance management information and ensure the learning from the area two tier pathfinder efficiency review is replicated in this programme;
  - establish a clear risk and assurance framework which is linked back to individual priority risks and ensure the correct people and financial resources are in place to enable the effective management and delivery of the project; and
  - ensure the performance management framework is clearly accepted and understood by all in order that clear reporting can be delivered to the Strategy Board and the public.

## Value for money and use of resources

**38** The partnership demonstrates capacity to improve in a number of ways:

- the partnership is self-aware, and as a result is taking steps to strengthen governance, financial management and performance management;
- there is clear leadership from the accountable body and communication between partners is good;
- partners have an obvious knowledge and commitment to the benefits of working together to deliver better outcomes for the public. Early signs show they are working well together to develop the delivery of the priorities;
- a governance structure is in place including the Strategy Board and the Planning Group; and
- delivery planning is taking shape and in most cases delivery plans are in place.

**39** The Lincolnshire LAA partnership is merging its priorities into the SCS themes, which will be the basis of reporting in future years. This should help to clarify the focus and relevance of the LAA targets. An action plan has been drawn up in response to our report and progress is being monitored.

---

## Supporting People

**40** The third inspection of the topic, in October 2007, found that the programme was still 'poor' but that its prospects for improvement had moved to 'promising'. The Council drew together an improvement plan, invested in additional capacity and established monitoring arrangements. Our Housing Inspectors carried out an agreed programme of further work during 2008/09, including assessments of progress against the service improvement plan, in liaison with the planned Improvement Board. Feedback on this work was provided to the Board throughout the year to enable the Council to focus its attention on any emerging areas of concern.

**41** A further inspection report, in July 2009, found that the Council's improvement plan and the actions taken had made a positive difference. The inspection reported that Lincolnshire's Supporting People programme had improved and was now 'fair', and continued to have 'promising' prospects for improvement.

# Organisational assessment

The Comprehensive Area Assessment Lead has used my use of resources assessment along with an assessment of how well performance is managed to come to an overall assessment for the County Council and the Fire Authority. This is known as the organisational assessment.

- 42** Comprehensive Area Assessment, or CAA, is a new way of assessing local public services in England. It examines how well councils are working together with other public bodies to meet the needs of the people they serve. It is a joint assessment made by a group of six independent watchdogs and will provide an annual snapshot of quality of life in the area. There is also an organisational assessment for each council and fire authority within the CAA.
- 43** The organisational assessments bring together the use of resources judgements with the managing performance assessments. The results for both elements of the assessment are summarised in Table 3.

**Table 3** Organisational assessment

Scored Element	Score	Score
	Lincolnshire County Council	Lincolnshire Fire Authority
Managing performance	3 out of 4	3 out of 4
Use of resources	2 out of 4	2 out of 4

- 44** Lincolnshire County Council performs well overall. The Council is making progress in tackling the priorities agreed for Lincolnshire and most of its main services are performing well.
- 45** Lincolnshire Fire Authority also performs well overall. It is meeting its priorities and should continue to improve.
- 46** There is a difference between the scores for use of resources and managing performance. It has been decided that the scores should be that overall Lincolnshire County Council and Lincolnshire Fire Authority both perform well. This is because:
- most of the Council's major services like education, social care and household waste disposal are performing well and it takes an effective leadership role with other local services to improve the quality of life in Lincolnshire; and
  - the Fire Authority is improving services, targeting people in most need and working well with partners to make Lincolnshire a safer place for all.

### Lincolnshire County Council

- 47** The Council scores 3 out of 4 for managing performance. Most Council services are effective and are improving life for people in Lincolnshire. For example, the Council does well at safeguarding children from abuse and neglect. Care for elderly people is improving and they have greater choice in the care they receive. Lincolnshire is the second best performing county council in the country for the amount of household waste it recycles. The Council has helped businesses create new jobs and has worked to keep existing jobs in the county.
- 48** There is a clear focus on improving services for local people. The Council and other local services, such as the Police, NHS and voluntary and charity organisations, are drawing up plans for what they want to achieve in the priority areas agreed in the Community Strategy. The Council is making a number of changes to the way it provides services, such as greater partnership working and better access and choice in how people receive services, but it is still too early to say how these will improve life for people in Lincolnshire. However, the Council has taken a leading role in getting partners in Lincolnshire to work together to have a greater impact on matters that are important to local people.
- 49** There are some poorer performing areas that the Council still needs to address, such as working with partners to reduce crime and meet housing needs. There are plans in place to improve these areas.

---

### Lincolnshire Fire Authority

- 50** The Fire Authority scores 3 out of 4 for managing performance. It is concentrating on improving safety. Its work on community safety is targeted at people who need it most, and reduced the number of people killed or seriously injured on Lincolnshire's roads by 12 per cent last year. Deaths in house fires increased last year, but the overall trend is downwards, and the number of house fires and injuries from house fires both fell last year. Community safety work is based upon an improved understanding and knowledge of Lincolnshire and its communities. But more could be done to communicate with hard to reach groups.
- 51** The chances of people surviving cardiac and respiratory arrest and similar life-threatening emergencies have increased by more than a third thanks to improved response times and the Fire Authority's work with other public services. The Fire Authority also works closely with the Police through the arson task force to help identify people who start fires, and arson fell by 26 per cent in 2008/09.
- 52** Good work with partners is helping to make a bigger impact in areas that are important to local people and the Fire Authority is working with other emergency services to make the area more able to deal with larger scale emergencies. It is trying to reduce the impact it has on the environment and has set targets to reduce carbon emissions and energy use. It is committed to diversity and is working hard to increase the number of women and ethnic recruits.

---

# Closing remarks

- 53** This letter will be presented at the Audit Committee in February 2010. Copies of the letter will be provided to all members.
- 54** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued during the year.

---

**Table 4**

<b>Report</b>	<b>Date issued</b>
Audit Plan	May 2008
Supporting People Inspection Report	July 2009
Local Area Agreement Report	August 2009
Annual Governance Report	September 2009
Audit Opinion and Certificate	October 2009
Value for Money Conclusion	October 2009
Use of Resources Feedback Reports	November 2009
Organisational Assessments	December 2009

---

- 55** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council's staff for their support and co-operation during the audit.

Chris Wilson  
 District Auditor  
 December 2009

# Appendix 1 – Use of resources key findings and conclusions

56 The following tables summarise the key findings and conclusions for each of the three Use of Resources themes as they applied to Lincolnshire County Council and Lincolnshire Fire and Rescue Authority.

## Managing finances - How effectively does the organisation manage its finances to deliver value for money?

<b>Overall Theme score 3</b>	
<b>KLOE 1.1 - Financial planning - Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?</b> <b>Score for Use of Resources</b>  <b>VFM criterion met?</b>	<b>Lincolnshire CC = 3</b> <b>Lincolnshire FRA = 3</b>  <b>Yes</b>
Key findings and conclusions	
<p>The finance and business planning arrangements at the Council and Fire and Rescue Authority (FRA) are integrated and effective. Balanced budgets are set and planned savings are challenged and their achievement is monitored. There is sound treasury management at the Council. The Council's risk assessed target range for reserves is being met. The Council maintains a comprehensive budget model which is linked to priorities. The Council has the financial capacity to respond to emerging financial issues. Public and partners have opportunities to contribute to the business plan and budget process and their views are considered. Spending is effectively managed within Council and FRA budgets without adversely affecting performance. Finance is a central issue for councillors and managers and there is an established and effective framework of officer responsibility and accountability for financial management.</p>	

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

<p><b>KLOE 1.2 - Understanding costs and achieving efficiencies - Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?</b></p> <p><b>Score for Use of Resources</b></p> <p><b>VFM criterion met?</b></p>	<p><b>Lincolnshire CC = 3</b>  <b>Lincolnshire FRA = 2</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p> <p>The Council's VfM profiles enable it to understand its costs and how they link to performance and have been successfully used to challenge services. The FRA is to introduce a fully costed Service Plan for 2010/11 so the service is working to understand what costs it incurs but currently the relationship between costs and performance is not fully analysed or understood. The achievement of efficiencies and service enhancements is monitored via the Council's performance management system. The Council uses Mietool widely to validate efficiencies and service improvements. The Council is seeking and evaluating new ways of delivering services to achieve efficiencies. The FRA is actively seeking and starting to implement innovative ways of delivering services that achieve improved community outcomes, predominantly through partnership working. The Council's recently renegotiated support services contract will deliver a further £20.5 million efficiency savings over six years and an additional £7.5 million 'transformational' savings. Efficiency targets have been significantly exceeded.</p>	
<p><b>KLOE 1.3 - Financial reporting - Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?</b></p> <p><b>Score for Use of Resources</b></p> <p><b>VFM criterion met?</b></p>	<p><b>Lincolnshire CC = 2</b>  <b>Lincolnshire FRA = 2</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p> <p>The Council and FRA Financial monitoring and forecasting arrangements are effective and reliable. Councillors and senior managers are aware of the current financial performance and have reliable information to use in making decisions. There are established arrangements for producing and approving the Council's annual accounts. The Council is taking steps to improve its capital accounting arrangements and has an outline plan to implement International Financial Reporting Standards. Published reports provide an objective and understandable assessment of the Council's performance in the year. Reporting on environmental and diversity issues is emerging.</p>	

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

### Governing the business - How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?

<b>Theme score 2</b>	
<b>KLOE 2.1 Commissioning and procurement - Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?</b> <b>Score for Use of Resources</b>  <b>VFM criterion met?</b>	<b>Lincolnshire CC = 2</b> <b>Lincolnshire FRA = 2</b>  <b>Yes</b>
Key findings and conclusions	
<p>The Council is developing its approach to commissioning and procurement to provide value for money services that are based on an understanding of local need. The Council involves local people, partners, staff and suppliers in commissioning services. The Council is redesigning services and using IT to improve the customer experience. A challenging transformation programme is underway. The Council is seeking to influence and develop the supply market. The Council evaluates options for procuring services and supplies. The Council reviews the competitiveness of services.</p> <p>The FRA has an understanding of the inequalities and diversity of its local communities and their needs for services over the longer term. It coordinates its activities with other services to identify and target vulnerable and high-risk groups. The FRA consults local people so it can plan services to meet their needs, although consultation tends to affirm rather than inform decisions and more could be done to engage with hard to reach groups. The FRA is identifying more efficient and effective ways of delivering services through service reviews. The FRA is focusing on improving the quality and access to services. There is limited comparison of commissioning and procurement performance with that of other organisations across different sectors.</p>	

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

<p><b>KLOE 2.2 - Data quality and use of information - Does the organisation produce relevant and reliable data and information to support decision making and manage performance?</b></p> <p><b>Score for Use of Resources</b></p> <p><b>VFM criterion met?</b></p>	<p><b>Lincolnshire CC = 2</b>  <b>Lincolnshire FRA = 2</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Council produces relevant and reliable data and is working with partners to ensure broader data quality. The performance management system is being expanded to include programme/project management and risk controls. Performance Boards for reviews of performance by service managers with senior management and portfolio holders have developed in some services. The Council is improving its arrangements for protecting data and complying with statutory requirements. The Council is investing further in IT business continuity as it is still a recognised risk in its corporate risk register. Corporate data security arrangements are developing. The Council monitors performance against its priorities and targets, and addresses underperformance. The FRA's arrangements for collecting, recording and reporting data are integrated into business planning and management processes. Internal DQ audits of the data streams feeding the Integrated Risk Management Plan (IRMP) and the core PIs are carried out. Joint arrangements have recently been set up with Leicestershire FRA to audit data. Progress against The Service Plan is reported quarterly to the Performance Management Board (PMB) and monthly, by exception, to the Strategic Management Board. The FRA has arrangements to comply with the Council's data protection and security requirements.</p>	
<p><b>KLOE 2.3 - Good governance - Does the organisation promote and demonstrate the principles and values of good governance?</b></p> <p><b>Score for Use of Resources</b></p> <p><b>VFM criterion met?</b></p>	<p><b>Lincolnshire CC = 3</b>  <b>Lincolnshire FRA = 3</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>Governance arrangements for the County Council and FRA are clear and established and have been strengthened. The key individual roles and responsibilities are clear and kept under regular review. The member induction programme has been reviewed and updated. Member engagement days are held for FRA issues. The Council had achieved the Members' Learning &amp; Development Charter. A long term countywide vision with supporting themes and priority outcomes has now been agreed with partners and incorporated in a new high level Sustainable Community Strategy. This was developed through extensive consultation and partner engagement. Delivery Plans are now being developed for the Community Strategy and are well underway for fire related issues. The Council has received external recognition for its ethical framework. The Council has taken the lead in facilitating the networking of Standards Chairs and Monitoring Officers in the county. Constructive working relationships with partners are in place. The FRA consults widely on changes to service delivery through IRMP consultation.</p>	

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

<p><b>KLOE 2.4 - Risk management and internal control - Does the organisation manage its risks and maintain a sound system of internal control?</b></p> <p><b>Score</b></p> <p><b>VFM criterion met?</b></p>	<p><b>Lincolnshire CC = 3</b>  <b>Lincolnshire FRA = 3</b>  <b>Yes</b></p>
<p>Key findings and conclusions</p> <p>Risk Management processes at the County Council and FRA are well established, effective and integrated with performance management. Lincolnshire Fire and Rescue has a published Risk Management Policy and also undertakes to discharge responsibilities in line with Lincolnshire County Council policy. The Audit Committee reviews the effectiveness of the risk mgmt arrangements. The Council has taken the lead in setting up the Lincolnshire Audit Committee Forum. Project risk management is being strengthened with the emerging 'programme centre'. Partners are incorporated within risk management and audit arrangements. There are well established polices and procedures to counter fraud &amp; corruption which are operating effectively and match good practice guidance. Internal Control arrangements are clear and effective. The Audit Committee is established and effective. The Council has assessed its system of internal audit as being effective.</p>	

## Managing resources - How well does the organisation manage its natural resources, physical assets and people to meet current and future needs and deliver value for money?

<p><b>Theme score 2</b></p>	
<p><b>KLOE 3.1 - Use of natural resources - Is the organisation making effective use of natural resources?</b></p> <p><b>Score for Use of Resources</b></p> <p><b>VFM criterion met?</b></p>	<p><b>Lincolnshire CC = 2</b>  <b>Lincolnshire FRA = n/a</b>  <b>Yes</b></p>
<p>Key findings and conclusions</p> <p>The council is developing a strategy to reduce its own use of natural resources and its impact on the environment. The target is to reduce carbon emissions by 20 per cent by 31 March 2012. It has already identified savings in the region of 5,000 tonnes per year, potentially saving £1.5m per year on building and street lighting costs alone. A system is now in place for collating, monitoring and reporting on energy and water use which provides information to monitor progress against the carbon reduction target. The Council is embedding carbon mgmt culture and practice through the Environmental Policy and development of clearer policies in procurement, street lighting, and design and build standards. Analysis of energy consumption has enabled the Council to achieve some 'quick wins' in high usage areas. Performance against sustainability targets is monitored through the Council's performance mgmt system. The Council has adopted design and construction standards for it's own new development and refurbishment schemes which prescribe sustainability requirements.</p>	

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

Key findings and conclusions	
<p>The Council is working with partners to manage environmental risks. The LAA contains a priority to 'Tackle the causes and effects of climate change'. The County and district council partners have agreed targets to reduce carbon emissions. The LAA delivery plan also contains targets to reduce land filled waste and increase the number of local wildlife sites. The Council is leading the development of a coastal strategy. It is working with partners on reducing the risks associated with flooding. The Council has been proactive in promoting local fuel for local heating by providing advice, assistance and start-up funding.</p>	
<p><b>KLOE 3.2 - Strategic asset management - Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?</b></p> <p><b>Score for Use of Resources</b></p> <p><b>VFM criterion met?</b></p>	<p><b>Lincolnshire CC = 2</b>  <b>Lincolnshire FRA = n/a</b>  <b>Yes</b></p>
Key findings and conclusions	
<p>There is an established strategic approach to asset mgmt which is likely to deliver future benefits. The Corporate Asset Management Plan sets out the decision-making process and governance for asset management and includes a commentary on the services' detailed property aspirations. The 2007/08 strategic property review has informed the New Ways of Working (NWoW) Project - a large scale review (being rolled out in 2009/10 over 11 operational areas) of the Council's property needs and subsequent transformation work. The Project includes consultation with partners. An electronic property database is in place. The NWoW programme is setting targets for efficiency and improved utilisation of assets. There is a five yearly rolling programme of condition surveys. There are some examples of assets being redeveloped and of the Council taking advantage of opportunities for shared use (redeveloping the Vista as an example of the intent (through NWOW) to upgrade and modernise facilities and in Gainsborough taking the opportunity to co-locate with the District Council). The Council's property and sustainability teams are working to identify where there are opportunities to reduce energy consumption and carbon emissions in Council's buildings. The Council's Community Asset Transfer policy is intended to support the future sustainable transfer of assets to viable community groups.</p>	
<p><b>KLOE 3.3 - Workforce planning - Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?</b></p> <p><b>Score for Use of Resources</b></p> <p><b>VFM criterion met?</b></p>	<p><b>Lincolnshire CC = n/a</b>  <b>Lincolnshire FRA = 2</b>  <b>Yes</b></p>
Key findings and conclusions	
<p>The FRA has effective arrangements to ensure people have the right skills to carry out their roles. Operational competence is maintained through regular practical training. Performance is monitored at a station level and there is also close scrutiny by managers. A recent staff survey showed that staff and managers are more confident in their abilities and staff are also more satisfied with the abilities of managers. Gaps in skills are identified with plans in place to address them. Individual development needs are identified via annual personal development reviews, although on the retained service these are conducted on a team basis due to limited time availability of retained staff. The FRA is implementing organisational change, for example shifting resources towards prevention and working with partners to achieve shared objectives, such as reducing road traffic casualties.</p>	

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

### Key findings and conclusions

A review of the retained service is currently being carried out to identify how the service can be delivered more effectively. Relations with the Fire Brigade Union have been strained and there have been delays in introducing workforce reforms. The FRA is working towards building a workforce that is more representative of the community it serves and improving towards national diversity targets for the proportion of women and ethnic minority operational fire fighters. 6.6 per cent of operational staff are female, the second highest figure of all FRAs. The FRA is enhancing capacity through effective management of sickness absence.

## Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Audit Letter 2008/09 Recommendations</b>						
6	R1 In any future high profile cases ensure the reasons for key decisions are fully and formally considered and documented.	2	Executive Director - Resources and Community Safety	Yes		Ongoing
9	R2 Continue to maintain effective governance of financial and service planning, monitor regularly the financial position over the short and medium term and take appropriate decisions promptly in order to maintain good financial standing.	3	Executive Director - Resources and Community Safety	Yes		Ongoing

---

# The Audit Commission

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

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

---

## Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, audio, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

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)

---