

# Annual Audit Letter

Preston City Council

Audit 2008/09

December 2009



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## Status of our reports

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

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

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

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## Audit opinion

- 1 I issued an unqualified opinion on the financial statements on 29 September 2009.
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## Financial statements

- 2 The draft financial statements were produced ahead of the 30 June 2009 deadline and approved by the Audit Committee. The working papers provided to support the financial statements were again of a good standard and we are grateful for the full and prompt response of all officers to our queries and requests for additional information that we made during the course of the audit.
  - 3 Our audit identified a number of errors and issues and these were reported to the Audit Committee in our Annual Governance Report in September 2009.
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## Value for money

- 4 I am also required to conclude whether the Council has put in place adequate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion. We have concluded your arrangements are adequate (under this assessment arrangements are either classified as adequate or not adequate) and have issued an unqualified conclusion on the Council's value for money arrangements.
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**Table 1**      **Audit fees**

	<b>Actual</b>	<b>Proposed</b>
Financial statements and annual governance statement	86,051	86,051
Value for money	45,257	45,257
<b>Total audit fees</b>	<b>131,308</b>	<b>131,308</b>

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## Independence

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

- 6 The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies has been immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes.
- 7 The Council has considered the impact of the banking crisis on its treasury management and will need to continue to consider the implications as part of its medium term financial plan.
- 8 The economic downturn also affects my audit considerations and as part of my responsibility, I have reviewed the Council's treasury management arrangements and found them to be prudent.

# 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.**

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## Significant issues arising from the audit

- 9** We identified several errors in the financial statements (other than those of a trivial nature) and reported these to management and we requested that the draft statement of accounts be amended. The financial statements were amended for these errors. These corrected errors did not affect the overall financial position of the Council.
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## Material weaknesses in internal control

- 10** I did not identify any significant weaknesses in your internal control arrangements.
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## Accounting Practice and financial reporting

- 11** My review also considered the qualitative aspects of your financial reporting and as a result of my audit, minor amendments to accounting policies have been made and the contingent liability disclosures have been subject to amendment to ensure they are compliant with Financial Reporting Standard 12.

## International Financial Reporting Standards (IFRS)

- 12** In March 2008 the Treasury announced that the annual financial statements of government departments and other public sector bodies would be prepared using International Financial Reporting Standards (IFRS) from 2009/10 onwards. For local government bodies the first full year of application is the 2010/11 financial statements but the starting period for this (the transition date) is 1 April 2009. Local government bodies will be required to produce their 2009/10 Whole of Government Accounts return on an IFRS basis. The expected deadline for the WGA return is 1 October 2010.
- 13** As part of my 2008/09 audit I have completed an Audit Commission survey on the Authority's progress in preparing for the implementation of IFRS. The Council has a detailed project plan for the transition to IFRS and has begun to quantify the likely impact on the financial statements.

# Value for money and use of resources

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

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

## Use of resources judgements

- 14** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 15** 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.
- 16** The Council's use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 5.

**Table 2 Use of resources theme scores**

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

## Managing finances

- 17** The Council has a detailed and thorough medium term financial strategy (MTFS) in place that has clear and effective linkages to other key strategies and is aligned and constructed to support corporate objectives and their achievement. This MTFS underpins the annual budget cycle and covers a five year period and is subject to a rolling update.

## Value for money and use of resources

- 18** The Council has used a variety of different methods in recent years to consult with key stakeholders on financial planning and the Council is refining its policy of fees and charging by utilising the views of focus groups to consider proposals and by using benchmarking to inform decision making. However, we found that the extent of consultation is limited and the Council needs to ensure that consultation is broadly representative of all Preston communities and age groups.
- 19** The Council has a good understanding of its costs through value for money (VFM) reviews of all services. The reviews made widespread use of benchmarking and cost information to identify opportunities to improve VFM and competitiveness. Service delivery plans are now achieving cost savings and improving efficiencies and productivity.
- 20** Financial monitoring arrangements are effective with budget monitoring reports produced to strict deadlines and 'hot spots' reports are issued to budget holders and senior officers. The Council has consistently maintained spending within budget and use a detailed risk assessment to scrutinise areas of volatility and/or demand lead services. This has been achieved against a back drop of financial pressures particularly exacerbated by the demands of the concessionary fares regime.
- 21** The Council has an effective finance function in place and produces thorough working papers and Officers actively engage with us on complex issues. The Council has always met statutory and internal closedown timetables and respond to queries promptly and thoroughly. However, in the last two years our audit has identified material errors and this has restricted the Council's score for this KLOE. The 2008/09 audit of the accounts identified a number of problems, particularly with fixed asset accounting arrangements.
- 22** The Council has improved external reporting. Translation guidance and 'signposting' of alternative formats has improved with the relaunch of the Council website. Key documents such as the published accounts and the annual audit letter are made available to the public via a number of media, primarily the Council website. The Council needs to clearly demonstrate that it has assessed its own impact on the environment and include relevant information in its external reporting.

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## Governing the business

- 23** The Council has a clear vision for the city and its communities. It aims to achieve the vision through priority work programmes and a Commissioning and Procurement Strategy. Local people help to design services, such as the contact centre and Friends Groups for local parks. The Sharper Smarter Services Programme uses technology and business re-engineering to improve the way the Council deals with customers.

- 24** A good approach to options appraisal and procurement has helped, for example, to make efficiency savings of £30,000 on energy, postal, and rail booking contracts. The service transformation project aims to further improve efficiency and effectiveness across services. Using activity based costing would help the Council to assess the true cost of delivering services and identify the scope for further efficiency savings.
- 25** Overall the Council performs well in producing relevant and reliable data and information to support decision making. Procedures are mostly in place to collect, analyse and report performance data correctly. An updated Data Quality Policy and governance assurance statements have strengthened arrangements. Councillors and officers have clear roles and responsibilities.
- 26** Our spot checks found the Council initially calculated NI191 (residual household waste per household) wrongly. Performance reports in 2008/09 and the Council's Annual Report contained the wrong figure. We also found that not all affordable homes files had certificates of completion to confirm the number of such homes delivered in 2008/09 (NI155). The Council does not verify the quality of all performance data that partners provide.
- 27** The Council has a range of effective arrangements in place to deliver governance and works to promote and improve ethical standards. A detailed Constitution is in place that sets out the roles and responsibilities of Committees, Members and Officers. This is a clear and comprehensive and is updated on a regular basis and includes a scheme of delegation. It is available in full on the Council website which is clearly signposted and includes a thorough section on the Council and local democracy where key governance issues are covered.
- 28** The Council has effective risk management arrangements in place supported by a corporate risk register subject to regular updating and a Risk Management strategy and full training programme for officers and Members.
- 29** The Council has a robust system of internal control in place supported by a detailed constitution, standing orders and codes of conduct etc. Corporate governance has a high priority with anti fraud and corruption policies and whistle blowing procedures in place with up to date registers of Members and Officers interests.
- 30** A separate anti-fraud strategy and anti-fraud policy is in place for Housing Benefits Fraud with a pro-active programme of counter fraud outlined in the 2008/09 business plan with high risk areas targeted. However, the anti-fraud and corruption strategy does not set clearly the links to the Council's strategic objectives or outcomes against which to evaluate its effectiveness or monitor delivery of the strategy. The Council has a business continuity plan in place. However it has not been updated recently and it has not been subject to testing.

### Managing resources

- 31** The Council performs well in managing its people to meet current and future needs. It has a productive and skilled workforce. A recent Investor in People assessment found that it has a clear vision which it communicates well throughout the Council. A higher percentage of the workforce has an NVQ level 4 qualification or above than the city's population. Staff development reviews are an important part of performance management. They identify skills gaps which the Council addresses through career grades, modern apprenticeships and placements. It aims recruitment at under-represented groups. The Valued in Public project improves opportunities for candidates with learning disabilities and mental health problems.
- 32** The Council has a positive approach to a having a healthy workforce. However, although average sickness absences for staff fell from 11.95 days in 2007/08 to 10.7 days in 2008/09 they remain high.
- 33** An Organisation and Development Strategy supports the delivery of the Council's priorities. This strategy links service and workforce planning in the delivery of services. For example, the Council responded to the economic downturn by reallocating staff to meet increased demands on the benefits service.
- 34** The Council manages organisational change well. Consultation such as core briefs and team and mass meetings, involve the workforce and trade unions in developing services. Policies support diversity and good people management. The Council meets level 2 of the Equality Standard for Local Government and is working towards level 3 ('achieving'). The percentage of BME employees is above the average for the travel to work area and neighbouring districts. However, employees with a disability do not reflect the local population.

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### VFM conclusion

- 35** 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.
- 36** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

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# Closing remarks

- 37** I have discussed and agreed this letter with the Director of Finance. I will present this letter at the Audit Committee on 20 January 2010 and will provide copies to all Council members.
- 38** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

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**Table 3**

Report	Date issued
Audit and Inspection plan	June 2008
Audit Opinion plan	June 2009
Review of Internal Audit	September 2009
Annual Governance Report	September 2009
Use of Resources Report	December 2009

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

Clive Portman  
 District Auditor  
 December 2009

# Appendix 1 – Use of resources key findings and conclusions

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

## Managing finances

<b>Theme 1 score</b>	<b>3</b>
<b>KLOE 1.1 (financial planning) score</b>	<b>3</b>
<b>Key findings and conclusions</b>	
<p>The Council has a very detailed and thorough Medium term financial strategy (MTFS) in place that has clear and effective linkages to other key strategies and is aligned and constructed to support corporate objectives and their achievement. There is a detailed risk assessment and explanation of key risks that will/may impact on the financial position. This MTFS underpins the annual budget cycle and covers a 5 year period and is subject to a rolling update. It sets out a deteriorating financial position which will see reserves diminish, however, the Director of Finance has clearly set out options and Members are engaged early in the process of deciding on remedial action. Efficiency savings planned over the next 5 years have already been identified as part of a Member lead process and the Council achieved savings of over £2m in 2008/09 against a target of £1.3m</p> <p>The financial planning process includes clear reporting of corporate priorities with individual actions detailed and budget allocation stated that are required to achieve corporate objectives. The Council is refining its policy of fees and charging by utilising the views of focus groups to consider proposals and benchmarking is used to inform decisions in this area.</p> <p>Treasury Management arrangements are effective and the Council had no investments in Icelandic banks and has further strengthened treasury management arrangements, which comply with the CIPFA Code of Practice for Treasury Management and Prudential Code, as well as taking into account key elements of the March 2009 edition of the CIPFA Treasury Management Panel bulletin.</p> <p>Budgets are closely monitored enabling emerging financial pressures to be identified and corrective action taken and/or planned.</p>	

<b>KLOE 1.1 (continued)</b>	<b>3</b>
<p>The Council has used a variety of different methods in recent years to consult with key stakeholders on financial planning and to then communicate back key messages, such as web-based surveys, Mori-run polls, presentations to the five Area Forums and the Council magazine. The Mori focus groups covered both immediate plans for savings and income generation, but also the medium to longer term balancing of the budget. The outcome of the focus group work has been taken into account in the review of the MTFs. Evidence of this is demonstrated by the decision taken to introduce charges for replacement wheelie bins and bulky waste collections following feedback from this process that increasing charges for specific services was preferable to increasing Council Tax charges or cutting services.</p>	
<b>KLOE 1.2 (understanding costs and achieving efficiencies) score</b>	<b>3</b>
<b>Key findings and conclusions</b>	
<p>The Council has a good understanding of its costs through for money (VFM) reviews of all services. The reviews made widespread use of benchmarking and cost information to identify opportunities to improve VFM. Councillors and officers now have a greater understanding of costs and service outcomes. They are in a better position to challenge any underperformance and comparatively high cost services. Service delivery plans and actions are now making cost savings and improving efficiencies and productivity. For example, improved processing arrangements and lower staff costs have maintained the quality of Housing Benefits services.</p> <p>Decision making makes good use of cost and performance information and scenario analysis. The Council gives resources to its priorities such as the Harris Museum. The Medium Term Financial Strategy clearly sets out cost drivers and assumptions. A detailed consideration of key financial risks and sensitivity analysis has improved financial forecasting over a five-year period. Whole life cost information and a business case analysis inform significant decisions, for example, the in-house production of the Guild Hall Christmas pantomime and a replacement sound system at the Charter Theatre.</p> <p>To achieve VFM capital schemes are subject to detailed appraisals, which evaluate the predicted cost savings, outputs and outcomes for different options. Reports to councillors set out the options and recommendations. Examples include server virtualisation and the offer of a cash dowry from English Heritage to become responsible for public open spaces and agricultural land.</p> <p>The Council has a track record of achieving efficiency targets. It achieved efficiency savings of £2 million in 2008/09 compared with a target of £1.3 million. Outcomes include lower costs of temporary and casual staff through a single agency agreement with Lancashire County Council. Investment in ICT has led to efficiency gains through, for example, online payments. Value for money has improved in priority areas, such as parks and open spaces - external awards recognise the quality of this service. The Service Transformation Programme aims to reduce transaction and unit costs by more efficient administration and with less staff.</p> <p>Overall costs are high compared with other district councils and similar authorities, based on the revenue estimates for 2008/09. The Council was among the highest 25 per cent for total spending on services per head of population. Comparative costs of services are variable, ranging from the highest 25 per cent (for example, central services) to the lowest 25 per cent (for example, sport and recreation).</p>	

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

<b>KLOE 1.3 (financial reporting) score</b>	<b>2</b>
<b>Key findings and conclusions</b>	
<p>Financial monitoring arrangements are effective and monitoring and forecasting arrangements are underpinned by a detailed and effective Medium Term Financial strategy. Budget monitoring reports are produced to strict deadlines and 'hot spot' reports are issued to budget holders, Assistant Directors and Directors and can be run directly from the ledger.</p> <p>These reports are specific to the area and activity over which the budget holder has control and provide basic comparisons of actual expenditure to date against budget, with a forecast of the full year position included in the budget monitoring reports. Capital monitoring reports are also run directly from the ledger on a quarterly basis and are also considered by the Capital Programme Performance Management Group.</p> <p>We have assessed budgetary control as effective as part of our ISA 315 work. The Council have consistently maintained spending within budget and use a detailed risk assessment to scrutinise areas of volatility and/or demand lead services. This has been achieved against a back drop of financial pressures particularly exacerbated at Preston by the demands of the concessionary fares regime. The Council routinely view financial information alongside non financial information.</p> <p>The Council has an effective finance function in place and produce thorough working papers. Officers actively engage with us on complex issues. The Council have met statutory and internal closedown timetables and respond to queries promptly and thoroughly. The Council are willing to work to further improve working papers. This can help reduce the time required in the audit planning.</p> <p>The Council has worked to improve external reporting during 2008/09 with some success and undertaken stakeholder consultation to inform this area. Translation guidance and “signposting” of alternative formats has improved with the relaunch of the Council website. Key documents such as the published accounts and the annual audit letter are made available to the public via a number of media, primarily the Council website.</p>	

Governing the business

<b>Theme 2 score</b>	<b>3</b>
<b>KLOE 2.1 (commissioning and procurement) score</b>	<b>3</b>
<b>Key findings and conclusions</b>	
<p>The Council has a clear vision for the city and its communities. It aims to achieve the vision through priority work programmes and a Commissioning and Procurement Strategy. It uses wide-ranging research and data, including ward profiles, to decide priorities and how services will be delivered. Examples include regenerating the city and tackling health inequalities. Neighbourhood management schemes ensure that communities in disadvantaged areas receive services specific to their individual needs.</p> <p>Local people help to design services, such as the contact centre and Friends Groups for local parks. A Citizen's Panel has strengthened community engagement. Leisure centres provide exercise for ethnic minority communities following suggestions by user groups. Volunteering services are helping to reduce worklessness.</p> <p>The Sharper Smarter Services Programme uses technology and business re-engineering to improve the way the Council deals with customers. Completed projects with improved outcomes include online ticket sales for the Guild Hall, text alerts for area forums, a benefits checker, access to council tax information and electronic payments. Mobile working technology has improved responsiveness in services such as Building Control. A 'demand management' approach has reduced the backlog of benefits enquiries.</p> <p>The Council has a good understanding of the supply market for the services it commissions and procures. Work includes gathering and supplying information on specific spend profiles to exploit opportunities for joint purchasing. It commissions work from community and voluntary groups. Outcomes include less people on jobseekers allowance in disadvantaged areas and better support for homeless people and those living with domestic violence.</p> <p>Procurement information and 'supplier days' help local businesses to supply goods and services to the Council. The P-2-P project is building more intelligence about the market enabling the Council to target work with small and medium-sized enterprises.</p> <p>The Council has a good approach to options appraisal and procurement. It has, for example, made efficiency savings of £30,000 on energy, postal, and rail booking contracts. Working with other councils to deliver and receive services makes better use of joint capacity and achieves the ideal combination of costs and benefits in procurement. Framework agreements and joint procurement are minimising costs and making savings on, for example, agency staff, consumables and telephony systems.</p> <p>Procurement is minimising the environmental impacts of goods and services. Vehicle purchases have a specification that includes biodiesel, fuel efficiency and CO<sup>2</sup> emission figures. The Council builds environmental sustainability into specifications for public realm, lighting and landscaping.</p> <p>The Council has reviewed the competitiveness of services to ensure that it achieves VFM which forms part of service planning. The service transformation project aims to further improve efficiency and effectiveness across services. Using activity based costing would help the Council to assess the true cost of delivering services and identify the scope for further efficiency savings.</p>	

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

<b>KLOE 2.2 (data quality and use of information) score</b>	<b>3</b>
<b>Key findings and conclusions</b>	
<p>Overall the Council performs well in producing relevant and reliable data and information to support decision making. Procedures are mostly in place to collect, analyse and report performance data correctly. An updated Data Quality Policy and governance assurance statements have strengthened arrangements. Councillors and officers have clear roles and responsibilities.</p> <p>However, our spot checks found the Council initially calculated NI191 (residual household waste per household) wrongly. Performance reports in 2008/09 and the Council's Annual Report contained the wrong figure. We also found that not all affordable homes files had certificates of completion to confirm the number of such homes delivered in 2008/09 (NI155). And the Council does not verify the quality of all performance data that partners provide.</p> <p>The Council makes good use of performance data, such as ward profiles, in business planning and allocating resources. Officers and councillors routinely use this information to, for example, identify crime trends and take appropriate action. Value for money reviews contain comparative and benchmarking data which the Council then uses to make services more efficient, effective and responsive.</p> <p>Arrangements are in place to secure the integrity and security of the Council's data. It complies with the Government Connect Code of Connection. Governance assurance reviews consider risk management. Continuity procedures are in place for all business critical systems. Tests on disaster recovery services were successful.</p> <p>The Council also makes good use of performance data in managing and improving services. Councillors receive regular reports on performance information, progress on key projects and efficiency savings. Officers are responsible for any underperformance and have to take remedial action. The Council has used data on NI14 (avoidable contact) to improve responsiveness within the contact centre.</p>	
<b>KLOE 2.3 (good governance) score</b>	<b>3</b>
<b>Key findings and conclusions</b>	
<p>The Council has a range of effective arrangements in place to deliver governance and works to promote and improve ethical standards. A detailed Constitution is in place that sets out the roles and responsibilities of Committees/Members &amp; Officers. This is clear and comprehensive and is updated on a regular basis and includes a scheme of delegation. It is available in full on the Council website which is clearly signposted and includes a thorough section on the Council and local democracy where key governance issues, policies etc are covered.</p> <p>Effective arrangements are in place for both Member induction and development. The Council has been awarded the level 1 NW Charter for Elected Member Development and 80 per cent of members have Personal development plans which provide a thorough assessment of training needs and a programme of training is in place to meet those needs. The Council has made certain training courses mandatory for Members who wish to sit on certain key committees. Development opportunities have been provided to officers through the provision of services for other Councils e.g the Council has mentoring programmes in place with Fylde BC to further develop officer capacity.</p>	

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

<b>KLOE 2.3 (continued)</b>	<b>3</b>
<p>There is an effective and constructive working relationship in place between officers and Members. Robust arrangements are in place for member and officer conduct with codes of conduct in place for both. The Council produced a local code of corporate governance based on the CIPFA/SOLACE Good Governance Framework approved in April 2008. Members are required to sign up to signify they understand and intend to comply with the Code of Conduct and arrangements are in place to ensure this process is adhered to. Registers of interests for Councillors are available on the Council website, as well as the whistle blowing policy and clear guidance on how to make a complaint. No issues have been raised by the local authority ombudsman.</p> <p>The Council website has a dedicated section covering ethics and standards and a range of initiatives have been undertaken designed to improve public confidence in the ethical credentials of the Council. These include articles in the Council newspaper, presentations to area forums and monthly emails to Members that include ‘code of conduct tips’. Training has been provided to members on the new code of conduct and to officers on ethics. Reminders are sent to all staff regarding the gifts and hospitality policy and reminders are placed on the Computer log in facility.</p> <p>Member compliance with the code of conduct is monitored through the Standards Committee. They undertake dip sampling of the register of interests including gifts and hospitality. These arrangements have combined to deliver high levels of Member and Officer behaviour with very few Member complaints/referrals. The Council make appropriate disclosure of allowances paid to Members on the website together with full details of the allowance scheme.</p> <p>Assurance on officer compliance with the code of conduct is provided through the quarterly Governance Assurance Review statements completed by Associate Directors. The Council has appropriate governance arrangements in place for the significant partnerships. Prior to entering into a partnership the Council assesses the governance arrangements in place to determine their adequacy. The Preston Strategic Partnership (PSP) has adopted the Preston Community Compact with Voluntary and Community Sectors, which sets out the principles and guidelines that act as a framework for good relations between the third sector and PSP and aims to improve working relationships, establish best practice partnership working and seeks to ensure the structural and economic development of organisations and groups within this sector.</p>	
<b>KLOE 2.4 (risk management and internal control) score</b>	<b>2</b>
<b>Key findings and conclusions</b>	
<p>The Council has effective risk management arrangements in place supported by a corporate risk register subject to regular updating and a Risk Management strategy and full training programme for officers and Members. The Council have an ambitious agenda to achieve and this includes a large re-development of the City Centre with a major private sector partner. A thorough separate risk assessment is in place for this large scheme that has enabled the scheme to progress against an environment of economic downturn. Although only at the planning stage the risk assessment has helped keep this development on track. A separate Member sub group has been established to oversee the scheme and manage the risks.</p> <p>The Council has an effective system of internal control in place supported by a detailed constitution, standing orders, codes of conduct etc. Corporate governance has a high priority. Anti fraud and corruption policies and whistle blowing procedures are in place with up to date registers of Members and Officers interests. The Council have dedicated Benefit fraud officers in place that have been subject to (previous) BFI assessment with positive results.</p>	

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

<b>KLOE 2.4 (continued)</b>	<b>2</b>
<p>A separate anti-fraud strategy and anti-fraud policy is in place for Housing Benefits Fraud, an area most susceptible to fraud, with a pro-active programme of counter fraud outlined in the 2008/09 business plan with high risk areas targeted. The Housing Benefit Fraud section has secured the contract and manage a shared fraud service with Fylde Borough Council for five years from 1 August 2008. A factor in this success was the achievement of the 2007 IRRV excellence award in anti-fraud. Outcomes resulting from this include staff development through working with another authority and additional income, which has been invested in covert surveillance equipment, which is expected to generate savings in staff time, including unsocial hours, thereby improving efficiency, staff health and safety, staff retention and delivering a better service by conduct surveillance in places where previously this would have been difficult due either to known health and safety concerns or where staff presence would be too obvious.</p> <p>However, the Council needs to set out more clearly the performance measures against which the success of the anti fraud and corruption policy can be measured and update the policy/strategy to reflect current best practice.</p> <p>The Council has an Audit Committee in place that has as its terms of reference all expected areas however the amount of challenge provided on key areas is variable. An effective Internal Audit function is in place as concluded by a recent assessment completed by ourselves completed during 2008/2009.</p> <p>The Council has business continuity plans in place however a recent Internal Audit assessment concluded they were weak and they have not been subject to regular testing.</p>	

## Managing resources

<b>Theme score</b>	<b>3</b>
<b>Key findings and conclusions</b>	
<b>KLOE 3.3 (workforce planning) score</b>	<b>3</b>
<b>Key findings and conclusions</b>	
<p>The Council has a productive and skilled workforce. It has a positive attitude to skills development, shown the annual training planning cycle. A recent Investor in People assessment found that it has a clear vision which it communities well throughout the Council.</p> <p>Staff development reviews are integral to performance management. They identify skills gaps which the Council addresses through career grades, modern apprenticeships and placements.</p> <p>The Council advertises a high percentage of vacancies internally to give employees the opportunity to progress and develop. It aims recruitment at under-represented groups. The Valued in Public project improves opportunities for candidates with learning disabilities and mental health problems. Action to tackle worklessness within the brighter futures programme has resulted in less people on jobseekers allowance from disadvantaged areas.</p>	

<b>KLOE 3.3 (continued)</b>	<b>3</b>
<p>Development programmes give managers competences for modern public services, for example, business re-engineering skills to support and identify new ways of working. The Preston Manager programme also includes core skills and a personal development plan. Individual staff development reviews (SDRs) feed into training and development plans. A higher percentage of the workforce has an NVQ level 4 qualification or above than the city's population.</p> <p>The Council has a positive approach to a having a healthy workforce through, for example, stopping smoking classes and medical screening. However, although average sickness absences for staff fell from 11.95 days in 2007/08 to 10.7 days in 2008/09 they remain high.</p> <p>An Organisation and Development Strategy supports the delivery of the Council's priorities. This strategy links with service and workforce planning in the delivery of services. For example, the Council responded to the economic downturn by reallocating staff to meet increased demands on the benefits service. Major projects such as the service transformation programme - to improve access for users - assess the impact on the workforce.</p> <p>Work has begun to address community workforce issues, for example, worklessness and recruitment to balance an ageing staff profile. The Council contributes well to regional priorities such as preventing violent extremism.</p> <p>The Council manages organisational change well. Consultation such as core briefs and team and mass meetings, involve the workforce and trade unions in developing services. Change management is a core skill module on the Preston Manager programme. Learning from previous exercises better prepares managers to support staff when future changes may affect them adversely.</p> <p>Policies support diversity and good people management. The Council meets level 2 of the Equality Standard for Local Government and is working towards level 3 ('achieving'). Staff training includes deaf, disability and diversity awareness, equal opportunities and 'journey of faiths and beliefs'. Work is continuing to ensure the workforce profile reflects the local community. The percentage of BME employees is above the average for the travel to work area and neighbouring districts. However, employees with a disability do not reflect the local population.</p> <p>The Council has completed the local pay review. Employee benefits show a total rewards approach and include childcare subsidy, life assurance, health cash plan and a flexible retirement policy.</p>	

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# The Audit Commission

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

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