

# Annual Governance Report

South Norfolk Council

Audit 2008/09

September 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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Ladies and Gentlemen

**2008/09 Annual Governance Report**

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

A draft of the report was discussed with officers in September 2009.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report regarding the financial statements (pages 4 to 7);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Yours faithfully

Rob Murray  
District Auditor  
24 September 2009

# Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

| <b>Financial Statements</b>                   | <b>Results</b> | <b>Page</b> |
|---|----------------|-------------|
| Unqualified audit opinion                     | Yes            | 6           |
| Financial statements free from material error | Yes            | 6           |
| Adequate internal control environment         | Yes            | 7           |
| <b>Use of resources</b>                       | <b>Results</b> | <b>Page</b> |
| Use of resources judgements                   | 2              | 8           |
| Arrangements to secure value for money        | Yes            | 9           |

## Audit opinion

- 1 We expect to issue an unqualified opinion on the financial statements before 30 September 2009.

## Financial statements

- 2 The financial statements submitted for audit were complete and were supported by good quality working papers. We found no material errors in the accounts although we have agreed a number of amendments to the accounts with officers for smaller amounts and to improve the disclosure of various notes.

## Use of resources

- 3 The Council has been assessed at level 2 this year, under the new Use of Resources assessment. The scores are summarised in table 2 and our findings for each of the key lines of enquiry (KLOEs) summarised in Appendix 4.

# Next steps

**This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.**

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**4** I ask the Accounts and Audit Committee to:

- consider the matters raised in the report regarding the financial statements (pages 4 to 7);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- take note of the VFM Conclusion and Use of Resources score;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

# Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements.

## Opinion on the financial statements

- 5 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

## Errors in the financial statements

- 6 We identified a number of errors in the financial statements (other than those of a trivial nature) and reported these to management. Management has agreed to adjust the financial statements for these errors. The amendments made to the accounts for errors over the trivial level of £10,360 are shown in appendix 2.
- 7 The key amendments to the accounts were:
- A reduction of £607,000 in the value of surplus assets held for disposal in the Balance Sheet. Our audit identified that the surplus land at Friarscroft Lane, Wymondham had not been subjected to an impairment review at the end of March 2009 to ascertain if the valuation of this land in the accounts remained appropriate. This was subsequently undertaken by the valuer who concluded that the value of the land should be reduced by £607,000.
  - An reduction in the Revaluation Reserve for an impairment of £150,000 in respect of surplus land held for disposal at Gissing. This had been incorrectly debited to the Income and Expenditure account rather than against the revaluation reserve.
  - An adjustment of the Council tax, Non Domestic Rate Receipts and Other Operating Income figures in the Cashflow Statement by £(104,000), £(309,000) and £413,000 respectively to take of the movements in debtors and creditors in these figures.
- 8 In addition to the amendments referred to above and in appendix 2, the financial statements have been amended for various presentational issues during the course of the audit. Where there is scope for improvement in the drafting of the 2009/10 financial statements we will raise these in our final accounts report for finance staff attention.

### Recommendation

- R1** Ensure that all tangible fixed assets are covered by the impairment review in line with FRS 11 and the 2008 SORP.
- R2** Maintain fixed asset records which clearly link amounts held in the revaluation reserve to individual assets.

### Material weaknesses in internal control

- 9** We identified two amounts in the accounts as reconciliation differences which were over the trivial level of £10,360. Firstly, an unreconciled amount of £14,587 is shown in the payments account bank reconciliation at 31 March 2009. Discussions with officers indicate that this reconciliation difference goes back for a number of years.
- 10** There is also a reconciliation difference of £48,000 between the amount shown in the general ledger and business rates systems for business rates received in advance.
- 11** In both cases, officers are currently investigating the reasons for these differences but as yet these investigations have not been concluded. The Council should seek to conclude the investigations into these reconciliation differences in a timely manner and take the necessary action regarding the unreconciled amounts.

#### Recommendation

- R3** Conclude the investigations into the reconciliation differences in a timely manner and take the appropriate action to address these differences.

### Letter of representation

- 12** Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you.

### Key areas of judgement and audit risk

- 13** In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

**Table 1** Key areas of judgement and audit risk

| Issue or risk   | Finding   |
|---|---|
| New requirements of 2008 Statement of Recommended Practice (SORP) issued by CIPFA through the Accounting Code of Practice (ACOP). | Our audit has confirmed that the Council has prepared its accounts in accordance with the new requirements of the SORP in all material areas. |

# Use of resources

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

I am also required to conclude 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      | 2                |
| Governing the business | 3                |
| Managing resources     | 2                |

- 17** The key messages for each theme are summarised below. Our detailed findings for each KLOE are enclosed at Appendix 4.
- 18 Managing finances;** The Council manages its finances effectively and integrates its financial planning with strategic and service planning process on a medium to long term basis. Budget monitoring information is reliable, relevant and understandable and produced on a timely basis to enable prompt action to be taken to address unfavourable variances.
- 19 Governing the business;** The Council has effective procurement arrangements in place. The Council produces relevant and reliable data and effective governance arrangements have been established. The Council has sound risk management and

## Use of resources

internal control systems in place but its counter fraud and corruption arrangements need to be further developed.

- 20 Managing Resources;** The Council is developing a productive and skilled workforce. It identifies and addresses gaps in skills through service planning, appraisal and skills audit. It addresses gaps with some targeted recruitment & a corporate training plan. It promotes & develops learning & development for all staff. It is currently improving internal communications following feedback from the last staff survey.

### Recommendation

- R4** Implement the Use of Resources recommendations arising from our review and which are detailed in our Action plan in Appendix 5.

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## Value for money conclusion

- 21** I assess 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 4.
- 22** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

# Appendix 1 – Independent auditor’s report to Members of South Norfolk Council

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## Opinion on the financial statements

I have audited the Authority accounting statements and related notes of South Norfolk Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account and the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of South Norfolk Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

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## Respective responsibilities of the Director of Corporate Resources and auditor

The Director of Corporate Resources’ responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls.

## Appendix 1 – Independent auditor’s report to Members of South Norfolk Council

Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

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### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

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### Opinion

In my opinion the Council’s financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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### Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Authority’s Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

### Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, South Norfolk Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

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### Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Rob Murray  
District Auditor  
Audit Commission  
Regus House  
1010 Cambourne Business Park  
Cambourne  
Cambridge  
CB23 6DP

# Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities. We are required to report to you all amendments made to the accounts above our trivial level of £10,360.

**Table 3**

|  |  | Income and Expenditure Account |          | Balance Sheet |          |
|--|--|--------------------------------|----------|---------------|----------|
| Adjusted misstatements   | Nature of Adjustment   | Dr £000s                       | Cr £000s | Dr £000s      | Cr £000s |
| Impairment to value of the surplus land held for disposal at Friarscroft Lane, Wymondham | To reduce the tangible fixed assets balance for the impairment and the associated adjustments required through the I&E account, Statement of Movement in the General Fund Balance, Revaluation Reserve and Capital Adjustment Account. | 215                            | 215      | 392<br>215    | 607      |
| Impairment on surplus land at Gissing accounted for incorrectly                          | To correct the revaluation reserve balance with the associated adjustments required through the I&E account, Statement of Movement in the General Fund Balance, and Capital Adjustment Account.  | 150                            | 150      | 150           | 150      |

## Appendix 2 – Adjusted amendments to the accounts

|                                       |  | Income and Expenditure Account |           | Balance Sheet |  |
|---------------------------------------|--|--------------------------------|-----------|---------------|--|
| <b>Council Tax Bad Debt provision</b> | <b>To correct bad debt provision overstated due to an error in the spreadsheet used to calculate the provision</b> |                                | <b>17</b> | <b>17</b>     |  |
| <b>Interest and investment income</b> | <b>To account for accrued interest understated in the accounts.</b>  |                                | <b>11</b> | <b>11</b>     |  |
| <b>Members allowances</b>             | <b>Disclosure note only – Members allowances expenditure amended to comply fully with the 2008 SORP.</b>           | <b>29</b>                      | <b>29</b> |               |  |

# Appendix 3 – Draft letter of representation

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To:

Mr R Murray  
District Auditor  
Audit Commission  
Regus House  
1010 Cambourne Business Park  
Cambourne  
Cambridge  
CB23 6DP

## South Norfolk Council - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of South Norfolk Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009.

### Compliance with the statutory authorities

**23** I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

### Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

### Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;

- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements

### Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

### Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in the notes to the financial statements we have no other lines of credit arrangements.

### Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;

### Appendix 3 – Draft letter of representation

- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

#### Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

#### Post balance sheet events

Since the date of approval of the financial statements by Council, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of South Norfolk Council

I confirm that this letter has been discussed and agreed by the Accounts and Audit Committee on 24 September 2009.

Signed

Name

Position

Date

Signed

Name

Position

Date

# Appendix 4 – Use of resources key findings and conclusions

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

**Table 4**      **Managing finances**

|   |                        |
|---|------------------------|
| <b>KLOE 1.1 (financial planning)</b><br><b>Score</b><br><b>VFM criterion met</b>  | <b>2</b><br><b>Yes</b> |
| <b>Key findings and conclusions</b>   |                        |
| <ul style="list-style-type: none"> <li>- Medium term financial strategy (MTFS) links into risk management and other strategies of the Council;</li> <li>- Balanced MTFS and annual budget are set with achievable savings and reasonable assumptions;</li> <li>- Soundly based policy on the level and nature of reserves;</li> <li>- Treasury management arrangements are sound;</li> <li>- The Council set an interim budget in February this year with a view to conducting a more detailed fundamental review in September 2009. It is planned that a detailed Medium term financial strategy will be drawn up as part of this budgetary process. We will review this new strategy when it is in place;</li> <li>- Council engages well with stakeholders and local communities in the financial planning process;</li> <li>- Council manages spending within available resources;</li> <li>- Council sets and monitors targets for the collection and recovery of material income streams and corrective action taken to achieve targets;</li> <li>- Corporate development programme in place which ensures that appropriate financial training is given;</li> </ul> |                        |

## Appendix 4 – Use of resources key findings and conclusions

|  |                                   |
|--|-----------------------------------|
| <p><b>KLOE 1.2 (understanding costs and achieving efficiencies)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>  | <p><b>2</b></p> <p><b>Yes</b></p> |
| <p>Key findings and conclusions</p>  |                                   |
| <ul style="list-style-type: none"> <li>- Council has a good understanding of its costs and uses whole life and unit cost information to inform team and service plans which are used to drive service improvements. The Council is developing a process to understand the costs of each service and has completed this for environmental health;</li> <li>- Whole life costing is applied to major procurement projects and asset management;</li> <li>- Costs and benefits are analysed for large projects. Year on year comparisons are used, and there is some benchmarking to identify whether services are providing value for money, however not apparent that benchmarking is used directly to achieve service improvement;</li> <li>- Council has a track record of identifying and making efficiencies;</li> <li>- Costs are commensurate or lower than other similar councils;</li> <li>- Benchmarking has been used to identify areas for further savings. In 2008-09 the Council exceeded its Gershon Savings target by 80%;</li> <li>- Improvements in procurement and the use of competition has helped to drive down costs, and collectively agreements contribute to making significant efficiencies.</li> </ul> |                                   |

## Appendix 4 – Use of resources key findings and conclusions

|  |            |
|--|------------|
| <b>KLOE 1.3 (financial reporting)</b>  |            |
| <b>Score</b>   | <b>2</b>   |
| <b>VFM criterion met</b>   | <b>Yes</b> |
| <b>Key findings and conclusions</b>  |            |
| <ul style="list-style-type: none"> <li>- Budgetary monitoring information is reliable, relevant and understandable being produced on a timely basis to enable prompt action to be taken to address variances.</li> <li>- Regular review of financial performance of significant partnerships.</li> <li>- During the year there were problems with budget monitoring reports after the migration to a new database. These problems are being addressed and budget monitoring with commitments has been trialled. These improvements need to be fully embedded for next year.</li> <li>- Council uses fit-for-purpose financial reports to monitor performance and support strategic decision making.</li> <li>- Council's information system is accessible and does allow budget holders to access monitoring information on-line,</li> <li>- monitoring reports received quarterly by members and are clear, relevant and concise and highlight the key financial and performance issues.</li> <li>- Preparation of accounts- the accounts were approved before 30 June deadline and supporting working papers were of an adequate standard though records to back up fixed assets need to be further improved. There were a number of adjustments to the accounts this year which are detailed earlier in this report.</li> </ul> |            |

## Appendix 4 – Use of resources key findings and conclusions

**Table 5**      **Governing the business**

|   |                                   |
|---|-----------------------------------|
| <p><b>KLOE 2.1 (commissioning and procurement)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>  | <p><b>3</b></p> <p><b>Yes</b></p> |
| <p>Key findings and conclusions</p>   |                                   |
| <ul style="list-style-type: none"> <li>- Council uses Norfolk joint strategic needs assessment and its own analysis to gain an understanding of its diverse communities and of inequalities in the area as part of the development of its sustainable community strategy.</li> <li>- Council considers achievement of its wider vision as part of its procurement strategy which identifies partnership working as a priority.</li> <li>- Engagement with a wide range of stakeholders and service users, including difficult to reach groups;</li> <li>- Information on satisfaction with services and how it differs across different groups is obtained and used to assist in making improvements;</li> <li>- The local strategic partnership is active in the district’s communities as part of the council’s programme of neighbourhood working.             <ul style="list-style-type: none"> <li>-Council makes use of technology to improve customer experience and access to services, notably through its interactive website, which has been independently rated as amongst the best in England;</li> </ul> </li> <li>- It has introduced internet and automated Touch Phone payment systems and issued 4,900 council tax bills, and other notifications, electronically, to save the Council over £4k.</li> <li>- IT strategy has recently been refreshed to ensure it is aligned with the council’s strategic objectives.             <ul style="list-style-type: none"> <li>- Standardised requirements for all routine purchases and annual savings of nearly £80k have been delivered by reducing “off-contract” spend.</li> </ul> </li> <li>- framework for evaluating procurement options allows the council to deliver value for money in procurement of services;</li> <li>- Council emphasises sustainability issues when selecting bidders and evaluating tenders for all services.</li> <li>- Effective arrangements for specifying and monitoring contracts, including terms for delivery and completion, quality, price and dispute resolution.             <ul style="list-style-type: none"> <li>- Programme of service reviews that benchmark performance, costs and satisfaction to deliver improvements in service quality and value for money.</li> </ul> </li> <li>- Council regularly reviews the value for money of contracts to ensure it achieves best value.</li> </ul> |                                   |

## Appendix 4 – Use of resources key findings and conclusions

|  |            |
|--|------------|
| <b>KLOE 2.2 (data quality and use of information)</b>  |            |
| <b>Score</b>   | <b>3</b>   |
| <b>VFM criterion met</b>   | <b>Yes</b> |
| <b>Key findings and conclusions</b>  |            |
| <ul style="list-style-type: none"><li>- Council produces relevant and reliable data;</li><li>- Data governance arrangements have been developed in partnerships with other organisations in Norfolk;</li><li>- Information supports the decision making process and performance reporting to the Council has been redesigned to reflect the wider outcomes of the LAA framework as well as the council's priorities;</li><li>- Reports are presented in a format requested by members to support decision-making and performance is compared with other councils through benchmarking performance &amp; cost.</li><li>- Business continuity plan &amp; information security policies in place and provide effective security and Council has secure channels of information transfer.</li><li>- Council integrates performance management with management of resources at a corporate level;</li><li>- Recession Indicators have been developed and monitored.</li></ul> |            |

## Appendix 4 – Use of resources key findings and conclusions

|  |                                   |
|--|-----------------------------------|
| <p><b>KLOE 2.3 (good governance)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>   | <p><b>2</b></p> <p><b>Yes</b></p> |
| <p>Key findings and conclusions</p>  |                                   |
| <ul style="list-style-type: none"> <li>- Constitution recently reviewed, describes roles and responsibilities of members, the council and senior staff;</li> <li>- Members and senior officers are clear about their respective roles;</li> <li>- Relationships between members, senior managers and staff are constructive;</li> <li>- Members and senior officers receive full induction tailored to their roles;</li> <li>- Senior members participate in the IDeA Leadership Academy and have personal development plans.</li> <li>- Council has used the Norfolk joint strategic needs assessment and its own analysis to develop a vision of what it wants to achieve locally;</li> <li>- Clear focus on delivering strategic priorities through the sustainable community strategy and the corporate plan;</li> <li>- Codes of conduct for all members;</li> <li>- Code of conduct issued to all staff and is part of their terms and conditions of employment.</li> <li>- Standards Committee trains and advises members to ensure high standards in the way they undertake their duties and is operating effectively.</li> <li>- Monitoring officer holds the publicly available register of member's interests and ensures that entries are updated each year.</li> <li>- All allowances and expenses paid to members are publicised and are authorised in accordance with the approved policies. The council ensures that allowances and expenses paid to officers are in line with legal and ethical frameworks.</li> <li>- Complaints procedure for the public is well publicised and available on the website.</li> <li>- Council clearly communicates its whistle blowing policy to staff</li> <li>- Council has identified its key partnerships and is ensuring they have an appropriate, documented form of governance, including information sharing and dispute resolution.</li> <li>- Consistent governance arrangements are not in place for all partnerships. A recent review found that consistent governance arrangements were not being applied to all partnerships, although the council had resolved these issues by March 2009.</li> </ul> |                                   |

## Appendix 4 – Use of resources key findings and conclusions

|   |            |
|---|------------|
| <b>KLOE 2.4 (risk management and internal control)</b>  |            |
| <b>Score</b>  | <b>2</b>   |
| <b>VFM criterion met</b>  | <b>Yes</b> |
| <b>Key findings and conclusions</b>   |            |
| <p>Risk management strategy is in place and has been reviewed and updated during the year;</p> <ul style="list-style-type: none"> <li>- Risks are reviewed by members on a quarterly basis and risk log is maintained which contains all the significant risks.</li> <li>- Corporate Risks are owned by senior Management and the risk management processes are embedded into the Council business processes via the service planning framework.</li> <li>- Partnership risks are included in the risk register and the Council does have basic risk management arrangements in place for its significant partnerships.</li> <li>- All officers and members involved in risk management undergo risk management training on an annual basis. The induction process also covers risk management.</li> <li>- The risk management process was used to identify the Council's response to the economic downturn, which allowed rapid identification of the risks to the council from the recession and actions to be taken to address these risks.</li> <li>- Output from the Audit Commission's changing organizational cultures survey which was undertaken at the Council in the year was positive but it did not really demonstrate a strong counter fraud culture amongst the council's employees as it indicated that a significant proportion are not fully aware of all fraud arrangements.</li> <li>- The council has a sound system of internal control. However, there were some issues arising from our final accounts audit which the Council needs to address. These are detailed in Appendix 5.</li> </ul> |            |

## Appendix 4 – Use of resources key findings and conclusions

**Table 6 Managing resources**

|   |                                   |
|---|-----------------------------------|
| <p><b>KLOE 3.3 (workforce planning)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>   | <p><b>2</b></p> <p><b>Yes</b></p> |
| <p>Key findings and conclusions</p>   |                                   |
| <ul style="list-style-type: none"> <li>- Council is developing a productive and skilled workforce and identifies and addresses gaps in skills through service planning, appraisal and skills audit;</li> <li>- It promotes &amp; develops learning &amp; development for all staff although promotion opportunities have been affected by low turnover &amp; a recruitment freeze;</li> <li>- Reputation as a good employer is known nationally through its 8th placement in the Best Council Employer award;</li> <li>- Performance management arrangements reflect the priorities of both the Council &amp; the wider community;</li> <li>- As a result of investment in the well-being of staff, sickness absence rates have reduced to the lowest level in 10 years.</li> <li>- Strategic approach to workforce plans which are integrated with service planning &amp; based on delivery of council priorities.</li> <li>- Workforce plans currently provide details of identified skill shortages, succession planning and growth bids for the next year only because of the uncertainties of LGR.</li> <li>- Organisation is currently in a period of change and is taking a systematic &amp; planned approach to restructuring. There is evidence of support provided to staff.</li> <li>- staff survey (2007) expressed concern about the consistency of communications across services. The Council is taking steps to address this and make internal more effective.</li> <li>- Council has a revised Equalities Strategy which embraces all equalities schemes &amp; also reflects partnership working. Council has achieved equality standard Level 2.</li> <li>- Staff Attitude Survey indicates good levels of satisfaction and there are high staff retention levels compared with other authorities.</li> <li>- Flexible working practices are in place &amp; available to all staff. ....</li> </ul> |                                   |

# Appendix 5 – Action Plan

| Page no.  | Recommendation   | Priority<br>1 = Low<br>2 = Med<br>3 = High | Responsibility | Agreed | Comments | Date |
|---|--|--|----------------|--------|----------|------|
| <b>Annual Governance Report 2008/09 - Recommendations</b> |  |  |                |        |          |      |
| R1  | Ensure that all tangible fixed assets are covered by the impairment review in line with FRS 11 and the 2008 SORP.                              | 3  |                |        |          |      |
| R2  | Maintain fixed asset records which clearly link amounts held in the revaluation reserve to individual assets.                                  | 2  |                |        |          |      |
| R3  | Conclude the investigations into the reconciliation differences in a timely manner and take the appropriate action to clear these differences. | 3  |                |        |          |      |
| R4  | Further develop a comprehensive medium term financial strategy as part of the September budget review.   | 3  |                |        |          |      |
| R5  | Clearly demonstrate the effectiveness of using comparative information to drive service improvements;  | 2  |                |        |          |      |

## Appendix 5 – Action Plan

| Page no. | Recommendation  | Priority<br>1 = Low<br>2 = Med<br>3 = High | Responsibility | Agreed | Comments | Date |
|----------|---|--|----------------|--------|----------|------|
| R6       | Demonstrate that the relative total and unit cost of delivering the same level of services, after taking account of special factors, have gradually reduced over time.  | 3  |                |        |          |      |
| R7       | Demonstrate how, based on a very clear understanding of the costs, risks and benefits, implementing innovative ways of delivering services, using business process re-engineering techniques to change processes and structures and working in partnerships has led to more efficient and improved services with the best outcomes. | 3  |                |        |          |      |
| R8       | Fully embed the new budget monitoring with commitments system to further improve the quality of budget monitoring reporting.  | 3  |                |        |          |      |
| R9       | Raise staff awareness of overall fraud arrangements to strengthen the Council's anti fraud culture.   | 2  |                |        |          |      |
| R10      | Develop a longer view of skill shortages, succession planning and growth bids consistent with the period covered by the workforce plan, once the outcome of the LGR is known.   |  |                |        |          |      |

| Page no. | Recommendation   | Priority<br>1 = Low<br>2 = Med<br>3 = High | Responsibility | Agreed | Comments | Date |
|----------|--|--|----------------|--------|----------|------|
| R11      | Demonstrate that the council is fully utilising and promoting its talent through a talent management approach and undertaking effective succession planning. | 2  |                |        |          |      |
| R12      | Monitor the effectiveness of the new staff communication plan and its impact on staff satisfaction.  | 3  |                |        |          |      |
| R13      | Provide training to line managers to deal with change management issues and to develop specialist change management skills.                                  |  |                |        |          |      |
| R14      | Move to achieving status under the new Equality Framework.   | 3  |                |        |          |      |

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# The Audit Commission

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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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