

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 22 SEPTEMBER 2010

Title of report	ANNUAL GOVERNANCE REPORT 2009/10
Contacts	<p>Councillor Nicholas Rushton 01530 412059 Nicholas.Rushton@nwleicestershire.gov.uk</p> <p>Financial Planning Manager 01530 454707 Pritesh.Padaniya@nwleicesterhisre.gov.uk</p>
Purpose of report	To consider the District Auditors annual governance report for 2009/10.
Strategic aims	Organisational Development.
<p>Implications:</p> <p>Financial / Staff</p> <p>Link to relevant CAT</p> <p>Risk Management</p> <p>Equalities Impact Assessment</p> <p>Human Rights</p> <p>Transformational Government</p>	<p>No direct implications.</p> <p>None.</p> <p>The Council's governance arrangements are a fundamental part of the Authority's management of risk and contribute towards good corporate governance.</p> <p>Not applicable.</p> <p>None identified.</p> <p>No direct implications.</p>
Consultees	Council officers.
Background papers	None.
Recommendation	<p>(A) THAT THE CORPORATE GOVERNANCE SCRUTINY COMMITTEE RECEIVES THIS REPORT.</p> <p>(B) APPROVES THE REPRESENTATION LETTER ATTACHED AS APPENDIX 3</p> <p>(C) APPROVES THE ACTION PLAN ATTACHED AS APPENDIX 5</p>

	(D) TO DELEGATE AUTHORITY TO CHAIRMAN OF THE COMMITTEE AND SECTION 151 OFFICER TO APPROVE AMMENDMENTS TO THE ACCOUNTS ON BEHALF OF THE COMMITTEE
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1.0 BACKGROUND

- 1.1 The Accounts of this Authority are audited in accordance with Section 2 of the Audit Commission Act 1998. As part of the external audit process, the District Auditor produces an annual governance report each year. This is attached.
- 1.2 The Governance Report notes: Solid arrangements across all areas, and a proposed unqualified audit opinion.
- 1.3 However, there is still scope for some improvement, and this is covered within the action plan.

Annual Governance Report

North West Leicestershire District Council
Audit 2009/10
September 2010

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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.
-

Ladies and Gentlemen

2009/10 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the acting Section 151 Officer on 10 September 2010 and updated it as issues have been resolved.

My 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 before approving the financial statements (pages 4 to 10);
- take note of the adjustments to the financial statements 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);
- agree your response to the proposed action plan (Appendix 5); and
- agree that in the unlikely circumstances material issues arise after this meeting powers should be delegated to the Chair and Acting section 151 officer to approve changes to the accounts on behalf of the Audit Committee.

Yours faithfully

Neil Bellamy
District Auditor and Engagement Lead

Date

Key messages

This report summarises the findings from the 2009/10 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 your arrangements to secure value for money in your use of resources.

Financial statements	Results	Page
Unqualified audit opinion	Yes	7
Financial statements free from material error	Yes	7
Adequate internal control environment	Yes	7
Value for money	Results	Page
Adequate arrangements to secure value for money	Yes	11

Audit opinion

- 1 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 for the period 1 April 2009 to 31 March 2010.

Financial statements

- 2 The arrangements for the production of your financial statements are sound. The draft financial statements for the period were approved for issue in advance of the deadline. Working papers produced by the Council in support of the financial statements have been of a good standard and finance staff have responded promptly to queries raised during the audit.
- 3 During the audit we found a small number of minor errors which did not have a material effect on the accounts. All have been amended for by the Council.
- 4 Further details of the amendments made are provided in Appendix 2.

Value for money

- 5 My conclusion on arrangements for securing economy, efficiency and effectiveness in its use of resources at the Council is unqualified. Our review did not identify any matter that would lead us to believe that the Council did not have in place adequate arrangements in place.

Key messages

Audit fees

- 6 Subject to satisfactory completion of the audit I will be able to contain my fee for the audit to the level of £115,400 as agreed in the audit plan dated 16 April 2010.
-

Independence

- 7 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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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.

8 I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 10);
- 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);
- agree that in the unlikely circumstances material issues arise after this meeting powers should be delegated to the Chair and acting Section 151 officer to approve changes to the accounts on behalf of the Audit Committee.

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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. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 9 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.
 - 10 There are still some minor issues and final engagement lead review outstanding on the audit. This version of the report is correct as at 10 September 2010. I will offer a verbal update to the Audit Committee at the meeting on 22 September 2010.
-

Errors and unadjusted amendments in the financial statements

- 11 I found no material errors during my audit of the financial statements. All non-trivial errors found during the audit which have been amended for are detailed in Appendix 2.
-

Important weaknesses in internal control

- 12 I have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.
 - 13 I have not provided a comprehensive statement of all weaknesses which may exist in internal control, or of all improvements which may be made. I have reported only those matters which have come to my attention because of the audit procedures I have performed.
-

Letter of representation

- 14 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation.
-

Key areas of judgement and audit risk

15 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
<p>The Council has not yet secured the funding required to bring its housing stock to the decent homes standard.</p> <p>This has led to conflicting pressures (to improve housing stock and to maintain an adequate level of reserves) on spending plans and the HRA balance.</p>	<p>We tested the classification of improvement and repairs work capitalised during the year and gained sufficient assurance that the classification of the expenditure is materially correct.</p>
<p>Due to the overall decrease in property values across the economy there is a risk that Fixed Assets will be overstated.</p>	<p>We tested the valuation changes processed in year and found they were accounted for without material error.</p>
<p>As per the SORP there is a new method for accounting for year-end balances relating to NNDR and Council Tax.</p>	<p>We tested the new entries relating to NNDR and Council Tax and found that the Council had accounted for the changes correctly with only minor amendments required.</p>
<p>HMRC have lifted the exemption previously in place that meant local government bodies did not have to carry out a partial exemption calculation for VAT.</p> <p>On initial calculation the Council have breached the 5% limit as a result of the government's free swimming initiative and may be liable for paying VAT relating to the 2009/10 financial year (although officers consider this risk to be minimal).</p>	<p>The Council have received confirmation from HMRC that the Council is not liable to pay VAT for the 2009/10 financial year.</p>
<p>As part of our 2008/09 audit we concluded we could not rely on a control over Housing Benefit payments (daily accuracy checks) as it was not operating fully for the whole year.</p>	<p>As reported in the audit plan in April testing has confirmed that this control is operating as designed.</p>

Accounting practice and financial reporting

16 I consider the non-numeric content of your financial reporting. Table 2 contains the issues I want to raise with you.

Table 2

Issue or risk	Finding
<p>The actual value of private equities held as assets in the Leicestershire County Council pension fund as at 31 March 2010 was 1.5% higher than the estimated values used by the Actuary in his calculations.</p>	<p>The estimated value of the Council's share of equities held as scheme assets, (£39.828 million) as advised by the actuary, is potentially understated by 1.5% or £0.597 million.</p> <p>The net pension scheme liability and pension scheme reserve shown on the face of the balance sheet are both overstated by the same amount.</p> <p>The accounts were prepared using information provided by the actuary</p>
<p>As per the SORP the Related Parties Transaction note should list all related parties declared by Members and list all transactions which are material to either party.</p>	<p>The disclosure in the 09/10 accounts comments that many Members serve on voluntary bodies and that small grants are paid to these bodies.</p> <p>I recommend that method of completion of the Related Parties note is reviewed for completeness.</p>
<p>During testing of deeds to prove ownership of assets we found that an asset was included in the accounts when it is not owned by the Council.</p>	<p>Actual error found is trivial in nature (£9k) but once extrapolated across the rest of the population suggests a possible error of £233k.</p> <p>As the extrapolated error is below materiality I do not recommend an amendment for opinion purposes. I recommend that the records supporting ownership of the Fixed Assets balance are reviewed to ensure all assets which appear in the balance sheet are owned by the Council.</p>

Recommendations

R1 Review the method of completion of the Related Parties note for completeness of disclosure.

R2 Review the records supporting the ownership of the Fixed Assets balance.

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Value for money

I am required to decide whether the Council put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. I have based my conclusion on my work on the scored use of resources judgement prior to the announcement of the abolition of CAA.

Value for money conclusion

- 17 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 4.
- 18 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 my draft report.

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Glossary

Annual governance statement

19 A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

20 A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

Audit opinion

21 On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
 - whether they have been prepared properly, following the relevant accounting rules; and
 - for local probation boards and trusts, on the regularity of their spending and income.
-

Qualified

22 The auditor has some reservations or concerns.

Unqualified

23 The auditor does not have any reservations.

Value for money conclusion

24 The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix 1 – Independent auditor’s report to Members of North West Leicestershire District Council

Draft Independent auditor’s report to the Members of North West Leicestershire District Council

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of North West Leicestershire District Council for the year ended 31 March 2010 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, 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 North West Leicestershire District 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 published by the Audit Commission in April 2008.

Respective responsibilities of the Acting Section 151 officer and auditor

The Acting Section 151 Officer’s responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

Appendix 1 – Independent auditor’s report to Members of North West Leicestershire District Council

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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 accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. 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.

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.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

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 for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. 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 October 2009, and the supporting guidance, I am satisfied that, in all significant respects, North West Leicestershire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

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.

Neil Bellamy

Officer of the Audit Commission

Rivermead House

7 Lewis Court

Grove Park

Leicester

LE19 1SU

22 September 2010

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Appendix 2 – Amendments to the draft accounts

I identified the following misstatements during my audit and managers have made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities.

Table 3

		Income and Expenditure Account		Balance sheet	
Adjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
A short term investment made at the year end was incorrectly classified as part of the cash balance in the Balance Sheet.	This was moved from Creditors to Overdrafts on the Balance Sheet. This adjustment has no affect on the General Fund balance of the Council.			269	269
The Contingent Liability relating to the partial exemption calculation of VAT is no longer relevant given the information referred to in Table 1.	This has been removed from the accounts. The accounts were correctly prepared as at 31 March 2010 so this amendment is not a correction of an error.				
The Cashflow statement has been simplified to only show the 'indirect' method of disclosure.	In the draft statements the accounts included both the 'direct' and 'indirect' disclosures. As per the SORP only one method is required.				

Appendix 2 – Amendments to the draft accounts

		Income and Expenditure Account		Balance sheet	
<p>In the draft accounts the in hand and overdrawn balances held with the bank were offset.</p> <p>As per the SORP these should be shown separately if the Council do not have a formal agreement with the bank to offset the figures.</p>	<p>The overdraft held with the bank should be moved from 'cash/bank' to 'overdraft'.</p> <p>This amendment has not affect on the cash balances held by the Council or the General Fund reserves.</p>			266	266
<p>TO BE FINALISED Accounting entries for sale of Council houses were not correctly processed in the draft accounts.</p>	<p>Some amendments are required to correctly reflect the impact on the balance sheet and I&E of the sale of Council Houses during the year.</p> <p>As at 10 September these amendments were still being worked on. An update will be given at the meeting on 22 September.</p>				
<p>The Financial Instruments note was amended to comply with SORP requirements.</p>	<p>This is a narrative note only - no change to the General Fund balance of the Council.</p>				
<p>The contingent liabilities note was amended to better reflect circumstances as at the balance sheet date.</p>	<p>The wording of the disclosure was altered to better reflect the circumstances at the balance sheet date.</p> <p>This is a narrative note only - no change to the General Fund balance of</p>				

Appendix 2 – Amendments to the draft accounts

		Income and Expenditure Account		Balance sheet	
	the Council.				

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Appendix 3 – Draft letter of representation

Corporate Services

Council Offices, Whitwick Road
Coalville, Leicestershire, LE67 3FJ

Direct Line: (01530) 454 707

Neil Bellamy
The Audit Commission
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire LE19 1SU

Our Ref: PP

Please ask for: Pritesh Padaniya

Date: To be added

Dear Mr Bellamy,

North West Leicestershire District Council - Audit for the Year Ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other members of the Senior Management Team of North West Leicestershire District Council (comprising of the Chief Executive, two Directors), the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010. All representations cover the Council's accounts included within the financial statements.

Compliance with the statutory authorities

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 give a true and fair view of the financial position of the Council, and for making accurate representations to you.

Appendix 3 – Draft letter of representation

Uncorrected misstatements

I confirm that there are no uncorrected misstatement in the financial statements.

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 Cabinet meetings, have been made available to you.

Going Concern

I am satisfied that it is appropriate to adopt a going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, if any, relating to going concern.

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.
- 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.
- 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 and Codes of Practice

There are no instances of non-compliance with laws, regulations and code 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.

Group Entities

I confirm that there are no group entities that require disclosure.

Assets

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

- Losses arising from sale and purchase commitments.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. 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 are no significant pending or threatened litigations, other than those already disclosed in the financial statements.
- There are no material commitments or contractual issues, other than those already disclosed in the financial statements.
- No financial guarantees have been given to third-parties.

Appendix 3 – Draft letter of representation

Related Party Transactions

I confirm the completeness of the information provided 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 Members of the Council's Audit and Governance Committee on 24 June 2010, 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 of assets and liabilities reflected in the financial statements.

IFRIC 12

There are no material schemes which should be accounted for under IFRIC 12 that relate to the Council.

Specific Representations

There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

Signed on behalf of North West Leicestershire District Council:

I confirm that this letter has been discussed and agreed by the Audit and Governance Committee at its meeting on 22 September 2010.

Signed

Pritesh Padaniya
Acting Section 151 Officer

Date:

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Appendix 4 – Value for money criteria

Due to the abolition of CAA my work on the Use of Resources scored judgement was not finalised and so was not reported. Below are comments on each of the Value for Money criteria drawn based upon the work carried out during the audit year.

KLOE	Met
Managing finances	
Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	Yes
The 2010/11 Medium Term Financial Strategy includes different scenarios for the levels of future incomes and includes sensitivity analysis to flag the key items of risk within the budget, which in turn is linked to Council priorities. It looks forward to 2013/14 and addresses the immediate savings required. Community engagement in budget setting is evident and the finance team has been commended in the LGC finance team of the year competition. Additional financial training had been provided to Members during the year, including Treasury Management.	
Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	Yes
Overall the Council is low cost but performance is variable dependent on the service provided. The Council is active in comparing costs to performance using for example Tribal and Audit Commission data and information, and action is being taken to improve outliers - e.g. waste collection and recycling and homelessness. It actively seeks to generate savings by working with other councils and public bodies.	
Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	Yes
The Council continues to soundly set, monitor and manage within budgets, which interact with the accounting data to give timely and useful financial information for management. The draft accounts were presented on time and were provided with appropriate supporting information. There were no material errors identified during the audit of accounts.	
Governing the business	

KLOE	Met
Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	Yes
The Council has a good track record of trying to involve local people, partners, staff and suppliers in the commissioning cycle. For example, it has introduced 'patch walks', which include door knocking to find out residents' issues, provide information, and respond to issues. Police and councillors are involved. Issues raised and resolved include anti social behaviour and improvements in Supporting people grant allocation. Progress with suppliers includes improved building development control using the Our Place initiative, based on Commission for Architecture and the Built Environment's Building for Life criteria to assess all building schemes. As a result five schemes classified as 'good' will be built for the first time in the East Midlands. Work with partners is also having demonstrable impacts. For example, the crime and disorder partnership achieved the lowest crime figures in the East Midlands.	
Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	Yes
The council produces relevant and reliable data and has some arrangements to ensure the quality of partnership data and is using this to continue to perform well against its own targets. Data quality could be improved by addressing the small but persistent errors. The Council is performing well against its targets, and year on year has improved many aspects of its own performance, although this was from a low starting point. It will need to be challenging in using its data and information to ensure the quality of all its key services is maintained and improved compared with that of its peers under current financial constraints.	
Does the organisation promote and demonstrate the principles and values of good governance?	Yes
The Council promotes and demonstrating the principles of good governance. Its governance framework includes the expected elements and is supported by a member training and development programme. In particular during the year the Council have 'professionalised' the Planning Committee with increased training and site visits to help the members have ownership of the process. Looking forward the Council has developed a toolkit to ensure strong governance arrangements are implemented for future joint working.	
Does the organisation manage its risks and maintain a sound system of internal control?	Yes
The Council has risk management arrangements linked to its priorities which are monitored regularly. These are becoming more embedded in operational arrangements. The internal control framework and anti-fraud and corruption arrangements are established and they Council actively	

Appendix 4 – Value for money criteria

KLOE	Met
participates in the National Fraud Initiative. The Corporate Governance Scrutiny Committee carries out the functions of an Audit Committee to support this. Internal audit fully or partially comply with all recognised standards. In particular the programme should be linked to the Council's own risk register.	
Managing resources	
Is the organisation making effective use of natural resources?	Yes
The Council's is showing commitment to managing its use of natural resources and at the time of our review was on target to exceed its 4% overall carbon reduction during 09/10. A lot of work is in progress to sustain achievement, including close working between the procurement service, housing services, EMDA and DEFRA on their sustainable impact measurement tool, which the council is trialling at present. It also played a major role in developing the National Forest. Outcomes to date include 5 millions trees planted and 1,235 acres of derelict and mineral worked land restored to forest, recreation, tourism and conservation uses. While there is some reliable information on natural resource usage, a more structured system is needed for recording and monitoring gas and electricity at other Council buildings, and for water and contractors' mileage.	
Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?	Yes
Based on our work from previous audits and the overall outcome of the audit this year Council are considered to have adequate arrangements in place in this area.	

Appendix 5 – Action plan

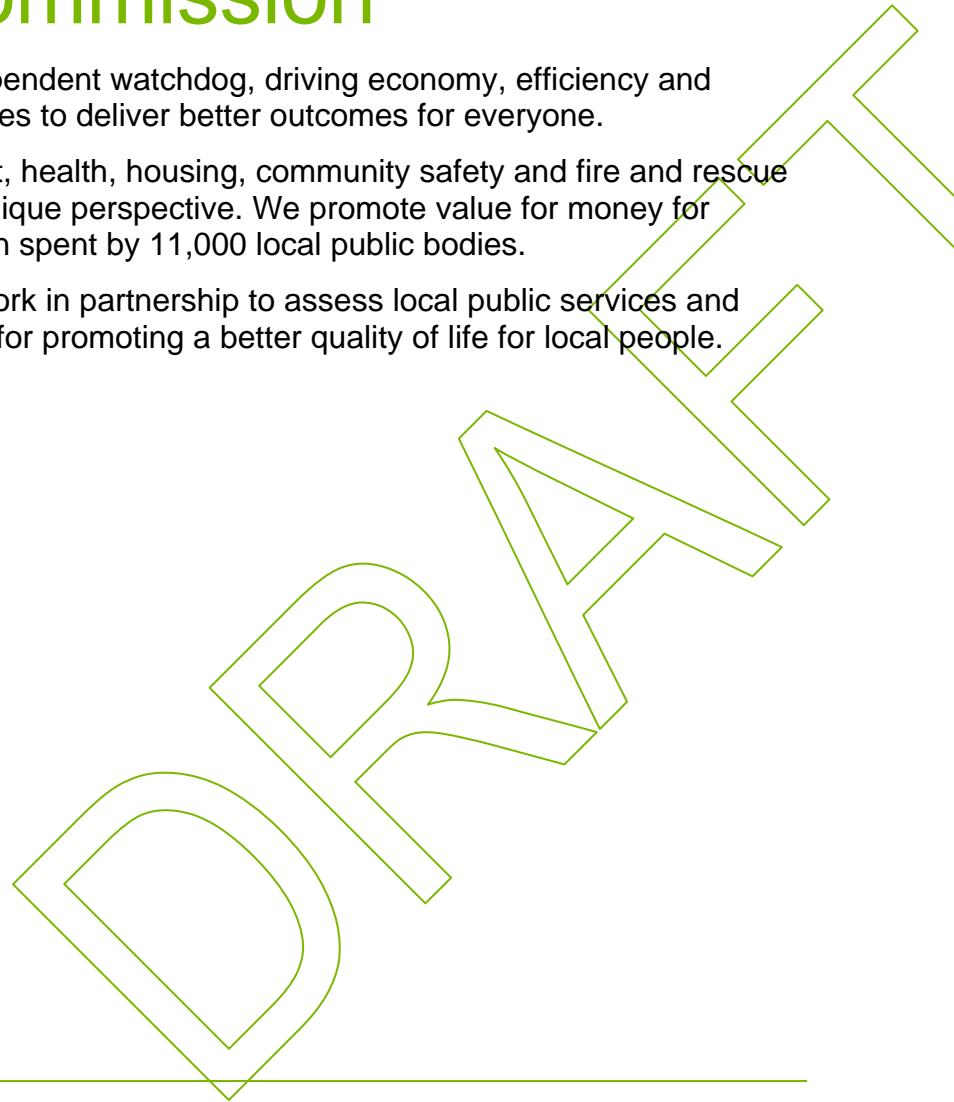
Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2009/10 - Recommendations						
10	R1 Review the Related Parties Transaction note for completeness of disclosure.	2				
10	R2 Review the records supporting the ownership of the Fixed Assets balance	2				

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.



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