

CHILTERN DISTRICT COUNCIL

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Audit Sub Committee

Thursday, 18th March, 2010 at 6.30 pm

**Large & Small Committee Room, Council Offices, King George V Road,
Amersham**

A G E N D A

- 1 Evacuation Procedures
- 2 To sign the Minutes of the meeting held on 28 September 2009 (*Pages 1 - 8*)
- 3 Apologies for Absence
- 4 Declarations of Interest
- 5 Open Report of the Officers:
 - 5.1 Annual Audit Letter 2008/09 (*Pages 9 - 10*)
Appendix A (Pages 11 - 42)
 - 5.2 Annual Claims and Returns Report 2008/09 (*Pages 43 - 44*)
Appendix B (Pages 45 - 52)
 - 5.3 Internal Audit Annual Plan for 2010/11 (*Pages 53 - 54*)
Appendix C (Pages 55 - 68)
 - 5.4 Conversion to International Financial Reporting Standards -
Progress Update (*Pages 69 - 70*)
Appendix D (Pages 71 - 72)
Appendix E (Pages 73 - 84)

5.5 Review of the Status of the Audit Sub Committee (*Pages 85 - 88*)
Appendix (Pages 89 - 96)

- 6 Exclusion of the Public: To resolve that under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act
- 7 Private Reports (if any)

Note: All Reports will be updated orally at the meeting if appropriate and may be supplemented by additional reports at the Chairman's discretion.

Membership: Audit Sub Committee

Councillors: D W Phillips (Chairman)
A K Bacon
R J Barber
A Dibbo
D G Meacock
M Stannard

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CHILTERN DISTRICT COUNCIL

**MINUTES of the Meeting of the
AUDIT SUB COMMITTEE
held on 28 SEPTEMBER 2009**

PRESENT: Councillor D W Phillips – Chairman
" A K Bacon
" R J Barber
" A D Garnett
" D G Meacock
" M Stannard

IN ATTENDANCE: Councillors J F Warder.

ALSO IN ATTENDANCE: Jon Barlow (Audit Manager) and Mick West (District Auditor) from the Audit Commission.

7. MINUTES

The Minutes of the Audit Sub Committee held on 10 June 2009, copies of which had been previously circulated, were agreed by the Sub Committee and signed by the Chairman as a correct record.

8. DECLARATIONS OF INTEREST

There were no declarations of interest.

9. EXTERNAL AUDITORS ISA260 REPORT AND MANAGEMENT REPRESENTATION LETTER

As the Committee charged with governance, the External Auditors' Annual Governance Report (incorporating the ISA260 and draft Letter of Representation) was reported to the Audit Sub Committee. Jon Barlow and Mick West from the Audit Commission – the Council's external auditors – were in attendance to present the report.

The Statement of Accounts had been approved by full Council on 23 June 2009. There had been no changes as a result of the audit which would require re-approval of the accounts.

The audit was substantially complete and the External Auditors expected to issue an unqualified opinion on the Council's accounts by the 30 September statutory deadline. Similarly, the External Auditors had substantially completed their work on the Council's arrangements for achieving economy, efficiency and effectiveness in its Use of Resources and expected to issue an unqualified Value For Money conclusion by the statutory deadline.

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Financial Statements

Mick West advised that there had been no material errors found in the financial statements, although there were a number of issues to be resolved that had been raised with the Head of Financial Services. It was noted that the amendment for the accounting treatment for the Civil Enforcement Area deficit had now been agreed. Treatment of any future deficit on the account would require a policy decision regarding possible transfer to reserves.

The Sub Committee's attention was drawn to the fact that the accounts had not been amended for £161k mis-stated depreciation. This was the result of the district valuer's review of impairment being undertaken at the end of the financial year but being accounted for from the start of the financial year. However, it was not a material figure – as acknowledged by the Audit Commission – and the Head of Financial Services advised that the impairment value represented only a best estimate and that a different valuer could have given a different figure. The Audit Sub Committee noted the error but considered that to restate the accounts would result in increased work for little benefit to the Council and the residents of Chiltern.

Regarding revenue expenditure funded from capital under statute (REFCUS), Mick West noted that this was a new aspect of the 2008/09 accounts. The Council had applied REFCUS incorrectly in some instances, although there was no bottom line effect of this. The Head of Financial Services advised that these errors were the result of the Council continuing previous practices, and not fully appreciating the changes. The Audit Sub Committee noted the error and that it was not material and agreed that the accounts should not be amended. It was also agreed that this represented a learning point for the future.

The Statement of Total Recognised Gains and Losses (STRGL) had an unexplained balance of £165k. Mick West suggested that this indicated potential errors in the accounts and suggested that the figure needed to be accepted or investigated; however, it was not a material sum in terms of the Council's overall accounts. The Audit Sub Committee noted that this figure was not material against a budget of over £11m and that it represented an improvement from the previous year and for these reasons agreed that the accounts should not be amended.

Internal Control

The External Auditors were satisfied that there were no material weaknesses in internal control. However, they had identified a number of control issues and they continued to work with the Council to progress these further prior to sign off.

Councillor Phillips suggested that it would be useful for the External Auditors to include an indication of the degree of risk that each issue gave rise to. The Audit Sub Committee suggested that the wording of this section of the report could be improved since, despite stating that the Council had no material weaknesses in internal control, the section was headed 'Material Weaknesses in Internal Control' implying that the bullet points listed were

material weaknesses. Mick West confirmed that the wording would be reviewed.

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Regarding the progress that the Council had made in addressing the weaknesses identified in internal control, the Head of Financial Services advised that the existing authorisation controls for journals had been a conscious decision at the time of implementing the finance system. Only members of the finance team could process journals, and whilst the risks associated with the same members of staff inputting and posting journals had been acknowledged it had been decided to accept the risk, which was considered low, as separating these duties further would have a detrimental impact on the efficient operation of the team. The finance team had already met to review the documentation processes providing evidence for journals to further improve controls.

With regard to occasions when those authorising payments were exceeding their authorising limits, the Head of Financial Services reported that an email had already been sent to staff reminding them of the procedures to be followed. The Head of Financial Services added that controls were in place to prevent one person making an order, authorising it, and then paying the invoice. It was suggested that this was an issue where further discussion needed to take place with the External Auditors since a misunderstanding appeared to have occurred.

Regarding internal controls on treasury management authorisation, Councillor Phillips reported that he had shared the concerns of the External Auditors. However, following an investigation of the matter he was satisfied appropriate controls were in place but acknowledged that written assurance was not necessarily always prompt.

The Audit Sub Committee agreed that it would be useful if the External Auditors included an update on internal control, particularly around authorisation. Mick West confirmed that the External Auditors' November report would revisit the issue and sign post if it was no longer a concern.

Use of Resources

Mick West reported that the Council had achieved at least minimum standards in each Use of Resources category. He explained that the assessment had changed for 2008/09 and was more challenging; most local authorities were expected to receive lower scores than in previous years. Mick West stated that Chiltern had scored a solid Level 2 overall, which was satisfactory with scope to advance. He added that a separate detailed Use of Resources report would be produced in due course detailing the full results. Councillor Barber suggested that it would be useful if this could include not only ways for the Council to improve its score, but also suggestions as to how the Council could better utilise its resources.

Audit Fees

Mick West reported that the Audit Commission might need to charge an extra fee to cover additional work undertaken in their first year to document systems, gather Use of Resources background information and to undertake additional systems testing to obtain sufficient assurance due to their assessment of weak controls around journals and the payments system. He

added that the Council already received a 20% reduction in the standard audit fee. It was not yet known what the additional fee might be.

The Audit Sub Committee – and Councillor Warder, who was also in attendance – were strongly opposed to any such additional fee, and could not see any justification for an additional charge.

Mick West declined to answer a question from Councillor Stannard regarding the staff hours involved in the audit, stating that this was not how the fees were determined.

Councillor Phillips noted that the Audit Sub Committee had expressed similar concerns regarding external audit fees at previous meetings; most recently on 5 June 2008 (Minute 5 refers). He suggested that the Council should not pay any additional fee.

Mick West responded that the audit fee was predicated on a certain level of control being in place. Grant Thornton, The previous external auditors, had scored the Council at Level 3 for Use of Resources suggesting that sound controls were in place. The new auditor's assessment was that this had not been the case and additional testing was required.

Councillor Stannard referred to Mick West's earlier explanation that the Use of Resources assessment had in fact changed for 2008/09 and was more challenging. Mick West confirmed that the Use of Resources criteria had changed, however, the financial statements assessment remained unchanged. He stated that the Audit Commission had no knowledge of the Council's arrangements before beginning the audit, only the previous score was known. Despite their best efforts, the Audit Commission had been unable to secure the Use of Resources background information and system documentation from Grant Thornton. As a result it had had to be established by the Audit Commission.

The Audit Sub Committee expressed incredulity that the Council were going to be charged an additional audit fee since the Audit Commission were unable to obtain information from Grant Thornton – who the Audit Commission had *themselves* appointed as the Council's external auditor.

Councillor Phillips noted that the Audit Commission established best practice for external audit, and it rotated auditors on a cyclical basis. He suggested that the Council were entitled to expect that the Audit Commission could require its appointed auditors to hand over evidence to incoming auditors. Local authorities should not be charged for the failings of the Audit Commission.

Mick West acknowledged that the Audit Commission did appoint auditors. It did produce guidance on what should be handed over when auditors changed; however, it was within the rights of Grant Thornton to withhold this information if they wished.

Mick West added that the lack of Use of Resources background information and system documentation from Grant Thornton, was not the only reason the additional fee might be applied, citing the assessed lack of controls requiring

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greater testing than expected. The Head of Financial Services advised that she was unaware of changes in the Council's accounting procedures to warrant significant additional work, and a consequent additional fee.

The Chief Executive expressed concern regarding the hand over process between outgoing and incoming auditors, and suggested that it was causing an on-cost to local authorities. He added that it was an issue that District Councils as a whole needed to raise with the Audit Commission.

Audit Committee

Mick West advised that although it had not been made an issue for 2008/09, the Council needed to address the fact that a Scrutiny Sub Committee was dealing with governance issues. Guidance issued by CIPFA recommended that Audit Committees should be independent of the Cabinet and Scrutiny functions.

The Chief Executive advised that this issue would be raised at the meeting of the Constitution Review Committee on 6 October 2009.

Management Representation Letter

Regarding the Management Representation Letter, it was confirmed that this would be signed off by the Council's Chief Executive and Section 151 Officer. Mick West requested that the Council set out its reasons for not amending errors highlighted by the external auditors in the financial statements.

RESOLVED -

That the Annual Governance Report be received and the Management Representation Letter be approved.

Note: Councillor D G Meacock left the meeting at 7.22pm.

10. **INTERNAL AUDIT SECTION – HALF-YEAR REPORT 2009/10**

The report before the Sub-Committee detailed the work of the Internal Audit Section for the half-year to September 2009. It detailed the audits completed, fraud and corruption reviews, and probity work undertaken.

Internal Audit gave an assurance rating for each completed audit, ranging from Full Assurance, where a sound system of control was in place; to No Assurance where the system was open to significant error / abuse.

No audits had been given No Assurance. There was one audit (relating to the newly introduced national performance indicators) which had been given limited assurance.

All Internal Audit reports detailed recommendations (where applicable) arising from Internal Audit work. Such recommendations were rated High, Medium or Low risk and detailed the officer responsible for implementing each recommendation and the date when the recommendation was

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scheduled for implementation. The Chief Executive confirmed that the Council's Management Team were fully aware of the recommendations and implementation dates to ensure accountability.

Regarding data security, Councillor Phillips suggested that the outstanding recommendation requiring Council members to formally agree to the ICT Security Policy before using Council IT resources, should be completed promptly.

Regarding the use of Deloitte to supplement the work of Internal Audit, it was confirmed that Deloitte undertook the majority of specialist computer audit work. Councillor Garnett suggested utilising Deloitte's to train the Council's own internal audit staff.

RESOLVED -

That the Internal Audit Section Half-Year Report for 2009/10 be noted.

The meeting ended at 7.56pm

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**CHILTERN DISTRICT COUNCIL
PERFORMANCE AND RESOURCES OVERVIEW (AUDIT SUB-
COMMITTEE) – 18 MARCH 2010**

Background Papers, if any, are specified at the end of the Report

ANNUAL AUDIT LETTER 2008/09

Contact Officer: Alison Howes 01494 732260, e-mail ahowes@chiltern.gov.uk

RECOMMENDATIONS

- 1. To receive and comment on the 2008/09 Annual Audit Letter of the District Auditor.**

Report

- 1 The Annual and Audit Inspection Letter is attached at **Appendix A**. Representatives from the Audit Commission will be at the meeting to present the report and answer Members' questions.

Background Papers: None

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Annual Audit Letter

Chiltern District Council

Audit 2008/09

December 2009



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Status of our reports

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

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

Key messages

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

Audit opinion

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

Financial statements

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

Value for money

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

Audit fees

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

Table 1 Audit fees

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

Actions

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

Economic downturn

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

Independence

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

Financial statements and annual governance statement

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

Issues arising from the audit

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

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

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

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

Investments in Icelandic banks

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

Value for money and use of resources

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

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

Use of resources judgements

- 17 In forming our scored use of resources judgements, we have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 18 We have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 19 The Council's use of resources theme scores are shown in Table 3 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

Table 2 Use of resources theme scores

The Audit Commission has assessed that the Council performs adequately

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

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

20 The headline messages are as follows.

Managing finances

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

Governing the business

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

Value for money and use of resources

Managing resources

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

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

Value for money conclusion

- 29 We assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the value for money conclusion at each type of audited body. Our conclusions on each of the areas are set out in Appendix 1.
- 30 I issued an unqualified conclusion stating that you had adequate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for money projects

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

Buckinghamshire Pathfinder Project

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

Value for money and use of resources

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

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

Health inequalities - Phase 2

- 40 Improving health and tackling health inequalities in Buckinghamshire is the joint responsibility of the five councils and the Primary Care Trust. Other public sector bodies are key partners. People in Buckinghamshire are generally healthy. Life expectancy is higher than average and early deaths from heart disease, stroke and cancer are lower than average. Buckinghamshire is an affluent county with low deprivation and this has a direct impact. There are significant pockets of deprivation in Buckinghamshire and consequently, wide variations in health outcomes. The public sector partners in Buckinghamshire have recognised the relationship between deprivation and poor health and have drawn up a Healthy Communities Strategy which specifically addresses health inequalities and seeks to reduce the gap between good and poor health outcomes by focusing on four related areas:
- income maximisation – benefit take-up and debt management;
 - tackling heart disease, diabetes and stroke in the most 'at risk' groups;
 - affordable warmth; and
 - systematic adoption of health inequalities impact assessment by the public sector.
- 41 We found that the following were established:
- strong performance management of the Local Area Agreement (LAA);
 - partnerships clearly identified and clear engagement with key partners eg the acute sector;
 - actions to address health inequalities implicit in both PCT and council plans;
 - a public health steering group headed by a jointly appointed Director of Public Health and lead member; and
 - engagement with the agenda by both Council members and PCT non-executive directors.
- 42 Areas for further development included:
- the need for a clear and robust governance framework;
 - clearer and more consistent mechanisms for public and service user involvement;
 - wider development of public health information to inform decisions;
 - systematic engagement of the workforce;

Value for money and use of resources

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

Closing remarks

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

Table 3

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

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

Mick West
District Auditor
December 2009

Appendix 1 – Use of resources key findings and conclusions

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

Managing finances

Theme score 2

Key findings and conclusions

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

<p>KLOE 1.1 (financial planning)</p> <p>Score 3</p> <p>VFM criterion met Yes</p>	<p>Key findings and conclusions</p> <p>Financial and corporate planning processes are integrated through annual service planning. Each service plan includes a section which links to corporate priorities and how these will be achieved in the coming year. There are also sections on value for money and efficiencies, the Local Area Agreement (LAA) and how the service will contribute to the LAA targets. Services are asked to identify possible risks to service provision in the coming year, how a 5 per cent, 10 per cent and 15 per cent cut in budget could be achieved and what the impact of this would be. Assumptions are reasonable and the current situation is reviewed regularly and the Medium Term Financial Strategy (MTFS) updated as necessary.</p> <p>Cabinet recognise and praise staff for community based activity which provides improved outcomes for the community eg sports zone, community appraisal / market town health check process.</p> <p>The Council has worked with partners to achieve better outcomes for residents. It has: worked with Paradigm to secure £100,000 investment in the Disabled Facilities Grant (DFG) fund to enable the Council to match funding and increase its DFG programme; developed the affordable warmth LAA target to attract greater investment from Warmfront and the utilities into Bucks. LAA fuel poverty targets are now being achieved with minimal cost to the Council.</p> <p>The Council has made good use of financial planning to redirect resources to high priority areas eg the creation of a new energy post and other staff changes to meet the requirements of new energy legislation and respond to the effects of climate change.</p> <p>The Council engages with local communities and stakeholders in financial planning. Meetings were held with the Federation for Small Businesses to discuss the effect of the economic downturn on businesses. As a result, the Council agreed to take actions in order to support small businesses including paying suppliers promptly.</p> <p>Engagement with stakeholders ensures that the Council's priorities reflect those of the community. The Council engages widely with the community in establishing priorities. Effective engagement ensures that the priorities of the Council meet the needs of the community.</p> <p>The Council engages with local communities in the financial planning process. A questionnaire was put on the website and also issued to 36,000 homes in the Chiltern Chronicle in order to consult on the budget. Members took note of the outcomes of this when planning the budget and kept parking charges on hold. Consultation with the community enables priorities to be identified and Council priorities to be aligned to those of the community.</p>
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Appendix 1 – Use of resources key findings and conclusions

<p>The Council is in a sound financial position. It is debt free and has no reliance on investment income or reserves to balance the revenue budget. This has been achieved through effective budgetary management and identifying continuous savings (pest control contract), service improvements (homelessness prevention), external funding opportunities (BIG lottery funding for play, CLG trailblazer), partnership opportunities (demand led transport review with Dial A Ride as part of Pathfinder, BIG lottery Funding for Play, CLG Trailblazer), external procurement options (Nexus and pest control) and the opportunity to contract or agree service delivery with the Third Sector (CAB, Dial A Ride, Voluntary Impact Contract).</p> <p>The budgets for service areas have been devolved to give greater accountability, management and control over the whole process. There is clear evidence for member and corporate team constructive scrutiny and challenge.</p>	<p>KLOE 1.2 (understanding costs and achieving efficiencies)</p> <p>Score 2</p> <p>VFM criterion met Yes</p>
<p>Key findings and conclusions</p> <p>As a smaller Council, the main costs are found in the payroll and major service contracts, where costs do not change greatly over time. In service areas, the Audit Commission VFM profiles are used to assess the costs and benchmark against other authorities. As part of Pathfinder project, costs in services are being analysed to see where efficiencies can be made eg support services.</p> <p>Any new capital investment or contract requires a business case that has regard to the Council's procurement strategy, whole life costs, value for money and sustainability issues and includes funding proposals and on going revenue implications. There are clear criteria when to apply such an approach, i.e. for major capital and contract decisions, the Council has appraised impact on wider social, environmental and economic factors, and how these interact to achieve sustainable development. Weightings are given to qualitative decisions when considering options appraisals. Costs and benefits of planned changes are clearly set out in the service plans, linked to strategic objectives. Costs are analysed and compared on a regular basis.</p> <p>The Council takes account of its understanding of costs and performance in decision making and commissioning. On making a decision on the future for waste in Chiltern the Council employed consultants who completed a report detailing information on costs, performance and comparisons with other districts, along with options available. Having the maximum amount of information available to inform decisions increases the likelihood of an effective decision being made.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>As part of the annual service planning process, the Council reviews costs to assess whether they are commensurate with the range, level and quality of services provided. Potential for efficiencies are investigated, along with cost analysis of the prior year. VFM profiles show that Chiltern’s costs are not significantly higher than nearest neighbours.</p> <p>The Council looks for innovative ways of achieving efficiencies; eg the ongoing Pathfinder project is aiming to achieve efficiencies through partnership working across Buckinghamshire Councils. Efficiency savings in the Council are demonstrable. The Council's Annual Efficiency Savings (AES) target of £1m efficiency savings over three year period has been delivered. The Council is focused on making efficiencies as government targets are likely to be more stretching in the future.</p> <p>The Council has achieved savings through joint procurement with partners; eg working with the other Buckinghamshire authorities in order to provide one Council Tax leaflet for each household rather than two and joint working on concessionary fares. This has provided cost savings for the authorities involved and improved the outcome for the customer. Other examples include the joint procurement of the choice based lettings system and the joint pest control, dog control and dog waste contracts.</p> <p>The Council has a strategy in place to achieve efficiencies. The efficiency strategy focuses on value for money and achieving efficiencies by business process reengineering, smarter procurement and better asset management. This strategic approach to efficiency savings means the Council has a focus on redesigning services in order to achieve those savings and continue to provide an effective service. Areas for improvement include scrutiny of high cost areas and taking into account deprivation when reviewing cost patterns.</p>	<p>KLOE 1.3 (financial reporting)</p> <p>Score 2</p> <p>VFM criterion met Yes</p>
<p>Key findings and conclusions</p> <p>Budget monitoring information is relevant, reliable and understandable. Three types of monitoring take place: monthly budget monitoring information to budget managers, monthly reporting to management team, and reporting to Cabinet. These are produced throughout the year and lead to prompt action to address variances. A key area of focus for variances is salaries. Advertising of all vacant posts has to be through a formal request to management team, with justification, and then approved by leader.</p> <p>Internal Audit annually review budgetary control and associated systems providing substantial assurance. Regular meetings are held with budget managers and any training needs are incorporated into these meetings on an ad hoc tailored basis.</p>	

Appendix 1 – Use of resources key findings and conclusions

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

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

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

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

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

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

Governing the business

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

Appendix 1 – Use of resources key findings and conclusions

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

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

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

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

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

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

Appendix 1 – Use of resources key findings and conclusions

<p>The Council is proactive in evaluating different options for procuring services. The Council is a member of the Bucks Procurement Group and seeks to procure services jointly where possible. For example, Chiltern led on work to procure a paper sorting facility which was procured using the Council's legal team on behalf of the other two districts in south Buckinghamshire. Working proactively to ensure joint procurement and e-procurement leads to savings for the Council because of economies of scale and a reduction in back office support.</p>	<p>2 Yes</p>
<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	
<p>Key findings and conclusions</p> <p>Overall arrangements for securing data quality demonstrate good performance, in respect of the financial year 2008/09. Internal Audit reports provide good evidence for consistent maintenance of high standards of data quality.</p> <p>Arrangements for collecting, recording and reporting data are integrated into business planning and management processes. There are clearly defined data requirements focusing on strategic objectives and services eg data reports to Cabinet and Committees to inform decisions.</p> <p>The Council's approach and expectations around data quality have been circulated and agreed by staff with data handling responsibility. Expectations have also been inserted into relevant staff job descriptions. Internal Audit procedures now include a review of data quality arrangements as part of service audits. Heads of services provide annual assurances over their allocated performance indicators and the arrangements concerning their management.</p> <p>Mechanisms are in place to monitor performance and to address under performance. Performance information is reported regularly detailing progress towards Council objectives, progress towards LAA targets and performance indicators. Information is presented in graphical format and symbols are used which easily identify areas of under performance. Effective monitoring means that areas of under performance can be addressed at the earliest opportunity and action taken to prevent further deterioration. This has been evidenced in both the data quality spot check and housing benefit testing.</p> <p>The Partnership Performance Group meets regularly to consider data quality and is planning to develop an agreed set of standards and actions around data quality for all partners.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>The availability of useful data continues to be expanded. Sharing of data systems and use of detailed data based on broader areas highlights health inequalities and can lead to resources being targeted effectively. Sharing data through home safety checks is also evidence of joined up thinking. This enables effective targeting of resources.</p> <p>Internal Audit's Report on IT Data Security shows that the Council has reviewed internal controls for data security and is consequently undertaking a number of actions. Concerning access to data, ICT perform annual health checks and penetration testing on the network and have always received a clean bill of health.</p> <p>A Business Continuity Plan is in place covering business critical systems. The last update took place in Feb 07. ICT have contracts in place to maintain all key equipment and software owned by the Council. A number of disaster trials have taken place and have proven that the entire network can be rebuilt in three days. The disaster recovery contract is being re-tendered shortly.</p> <p>ICT security policies are reviewed and amended on a regular basis and are available on the Intranet. They have been updated to reflect government connection standards. Arrangements for data security and compliance emails give details of the arrangements in place. Multiple mechanisms are in place to ensure data security, enforced by a very competent IT department.</p> <p>There have been no security incidents either in this or in previous years.</p>	<p>KLOE 2.3 (good governance)</p> <p>Score 2</p> <p>VFM criterion met Yes</p>
<p>Key findings and conclusions</p>	
<p>The Constitution Review Committee reviews and updates the constitution as needed. There is a good working relationship between Members and Officers – with a weekly informal Cabinet/Management Team meeting, pre Joint Improvement Board briefings, customer services workshops for officers and members; a disability focus group; and community cohesion group.</p> <p>Members receive induction training and ongoing development opportunities are available through an online e-learning module. There are specific member training budgets.</p> <p>In early 2009, the Council was the lead authority for the MKOB member engagement project. The member development questionnaire asked members to undertake an analysis of their own role and identify needs to enable them to perform it more effectively. The Council is currently leading on member development and intends to implement individual personal development plans for members.</p>	

<p>The Council has recently carried out a Senior Management Review in order to make savings and better focus responsibilities. The Council has a clear vision of intended outcomes for local people. The Council's key objectives clearly state the corporate priorities, sub priorities and actions. As the Council is aware of what it wants to achieve for local people it can use this to monitor progress against these priorities.</p> <p>The Council maintains focus on its purpose and vision. The priorities of the Council are clearly communicated to staff. The Chief Executive holds a staff seminar and the priorities are displayed on posters and on the intranet and website. Clear priorities mean that staff remain focused on what they are contributing to achieving.</p> <p>All key partnerships are subject to an annual review process. The Council participated in a joint review of the Local Strategic Partnership (LSP) for Buckinghamshire, which is one of the Council's major partnerships, with the other local authorities in the LSP. Policy officers across Bucks have undertaken a joint review of all partnerships, indicating a constructive working relationship. This included sharing risks of working with different partners identified by the different organisations, focusing on whether the partnerships are providing effective outcomes and value for money. Other examples include a fraud and welfare partnership; and engagement with older people action groups.</p> <p>The Council has signed a locality wide agreement governing relationships with voluntary and community organisations. The third sector is also included in partnership risk register as a significant partnership.</p>	<p>KLOE 2.4 (risk management and internal control)</p> <p>Score 2</p> <p>VFM criterion met Yes</p>
<p>Key findings and conclusions</p> <p>The Strategic Risk Register was updated in October 2007 and more recently in August 2009. The link between risks and strategic objectives is tentative. The likelihood of identified risk occurring is assessed in a matrix style and likely consequences are listed. Risks are assigned to named officers.</p> <p>The Council uses a very comprehensive risk management tool called Covalent. This system ensures that service risks are regularly updated and assigned to individuals for ownership. The likelihood of a risk occurring and its potential impact are both assessed.</p> <p>All significant partnerships have been identified and for those where the risk is seen as high, a named officer has been assigned to that partnership risk.</p>	

Appendix 1 – Use of resources key findings and conclusions

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

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

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

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

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

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

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

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

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

Appendix 1 – Use of resources key findings and conclusions

Managing resources

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

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 3.3 (workforce planning)</p> <p>Score 3</p> <p>VFM criterion met Yes</p>	<p>Key findings and conclusions</p> <p>The Council takes steps to ensure it has a productive and skilled workforce. The Council has identified areas where it is difficult to recruit and introduced career grades and retention payments. There is an effective performance related pay scheme that reinforces the corporate message and is used effectively to encourage productivity. Productivity is measured in service areas and this is linked with performance related pay. The Council invests in staff and spends twice the national average on training. Taking steps to ensure that workforce is adequately trained, motivated and productive increases the likelihood of staff retention and maximises the use of staffing resources.</p> <p>The Council has low sickness levels across the organisation and an effective sickness absence policy is in place. The sickness absence policy details what action the member of staff needs to take, the sickness control procedure and provision for return to work interviews. Managing absence maximises the availability of staffing resources.</p> <p>The Council is a good employer and has a well developed approach to training and development. The Council received an excellent Investors in People assessment report, retaining accreditation since 1993 and was a finalist in the Times Best Council to work for. The Council is marketing itself as a good employer in order to attract staff and finds that people approach the Council for employment. The Council ensures that it has mechanisms in place to retain and attract good staff ie career paths, apprenticeship scheme, retention payments and fast track training. Satisfaction is high with low turnover and sickness levels. Being seen as a good employer means that the Council is able to attract and retain staffing resources.</p> <p>The Council has a proactive approach to equalities. The Council has the GARDE equality scheme which is well publicised on the website and is currently being rewritten in preparation for the new Equalities Framework. The Council self assessed at Level 3 of the equalities standards. Equalities Impact Assessments are considered when policies are changed or reviewed but each service carries out a self assessment as part of the GARDE scheme and these have resulted in changes such as more focused outreach working in benefits. Equalities training is carried out at induction and the Council regularly consults with an active disability forum. A proactive approach to managing diversity means that the Council can ensure that its policies encourage equality and do not impact negatively on any minority groups.</p>
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Appendix 1 – Use of resources key findings and conclusions

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

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

Appendix 2 – Action plan

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

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

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**CHILTERN DISTRICT COUNCIL
PERFORMANCE AND RESOURCES OVERVIEW (AUDIT SUB-
COMMITTEE) – 18 MARCH 2010**

Background Papers, if any, are specified at the end of the Report

ANNUAL CLAIMS AND RETURNS REPORT 2008/09

Contact Officer: Alison Howes 01494 732260, e-mail ahowes@chiltern.gov.uk

RECOMMENDATIONS

- 1. To receive and comment on the Annual Claims and Returns Report 2008/09.**

Report

- 1 The Annual Claims and Returns Report 2008/09 is attached at **Appendix B**. Representatives from the Audit Commission will be at the meeting to present the report and answer Members' questions.

Background Papers: None

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Certification of claims and returns - annual report

Chiltern District Council

Audit 2008/09

Date

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Appendix 1 – Summary of 2008/09 certified claims	5

Key messages

Funding from government grant-paying departments is an important income stream for the Council. The Council needs to manage claiming this income carefully. It needs to demonstrate to the auditors that it has met the conditions which attach to these grants.

This report summarises the findings from the certification of 2008/09 claims. It includes the messages arising from our assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.

Certification of claims

- 1 You receive more than £18m funding from various grant-paying departments. The grant-paying departments attach conditions to some of these grants. You must show that it has met these conditions. If the you cannot evidence this, the funding can be at risk. It is therefore important that you manage certification work properly and can demonstrate to us, as auditors, that the relevant conditions have been met. We certify two of these grants.
- 2 In addition, you collect business rates to pay into the national pool, from which you then receive grant funding. The amount payable to the pool of £20.5m is also subject to certification.
- 3 In 2008/09, we certified three claims and returns with a total value of £38.5 million. We carried out a full review for all three because our knowledge of the control environment was limited. Paragraph 10 explains the difference between a full and limited review. Appendix 1 sets out a full summary.

Significant findings

- 4 We did not have any significant concerns with the claims reviewed.

Certification fees

- 5 The fees charged for grant certification work in 2008/09 were £22,379.

Actions

- 6 There are no recommendations arising from our work on grant claims.

Background

- 7 You claim £18m for specific activities from grant paying departments. You also collect business rates (NNDR) on behalf of the Government which you pay into the national pool of £20.5m. As these are significant sums it is important that your processes are properly managed. In particular this means:
- an adequate control environment over each claim and return; and
 - ensuring that you can show that you have met the conditions for each claim and return.
- 8 We are required by section 28 of the Audit Commission Act 1998 to certify specified claims for grants or subsidies paid by, and returns for sums paid to, government departments and public bodies. We charge a fee to cover the full cost of certifying claims and returns. The fee depends on the amount of work required to certify each claim or return.
- 9 You are responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the relevant government department or public body.
- 10 The key features of the current arrangements are as follows.
- For claims and returns below £100,000 the Commission does not make certification arrangements.
 - For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure.
 - For claims and returns over £500,000 auditors assess the control environment for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required. This means that the audit fees for certification work are reduced if the control environment is strong.
 - For claims spanning over more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly. The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

Claim or return	Value £	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit subsidy claim	17,767,452	Yes	No	No
Business rates return	20,454,030	Yes	No	No

Claims between £100,000 and £500,000

Claim	Value £	Amended
Disabled facilities grant	240,000	No

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**CHILTERN DISTRICT COUNCIL
AUDIT SUB-COMMITTEE – 18 MARCH 2010**

Background Papers, if any, are specified at the end of the Report

INTERNAL AUDIT ANNUAL PLAN FOR 2010/11

Contact Officer: Geoff Osgathorp 01494 732085 gosgathorp@chiltern.gov.uk

RECOMMENDATION

The Sub-Committee to agree the Internal Audit Plan for 2010/11

Report

1. The purpose of this report is to provide the Council with a 2010/11 work plan for Internal Audit and is attached at **Appendix C**. The plan is used to direct Internal Audit resources to those aspects of the Council which are assessed as generating the greatest risk to the achievement of its objectives. The Code of Practice for Internal Audit in Local Government requires that Internal Audit operate in accordance with an approved strategy and annual plan.
2. The plan has been developed which:
 - Seeks to provide assurance over CDC's principal risk exposures and change programmes for 2010/11 in order to assist the achievement of Council Aims;
 - Takes account of the risk management process as far as existing assurances allow;
 - Takes account of relevant legislation;
 - Provides availability for audit advice to all Council operations but specifically those of a financial or corporate improvement nature;
 - Continues the provision of anti-fraud and investigative support to the Council;
 - Maximises the existing internal audit resource.

Background Papers: None

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CHILTERN DISTRICT COUNCIL - INTERNAL AUDIT SECTION

INTERNAL AUDIT PLAN 2010/11

1. INTRODUCTION

The purpose of this document is to provide the Council with a 2010/11 work plan for Internal Audit, based upon an assessment of the Council's audit needs. The Audit Needs Assessment (ANA) exercise is undertaken to identify the systems of control and determine the frequency of audit coverage resulting in the establishment of an Annual Plan. The ANA will be used to direct internal audit resources to those aspects of the Council which are assessed as generating the greatest risk to the achievement of its objectives. The Code of Practice for Internal Audit in Local Government requires that Internal Audit operate in accordance with an approved strategy and annual plan.

2. INTERNAL AUDIT STRATEGY

Internal Audit's responsibility is to objectively examine, evaluate and report on the whole system of internal controls established by management, and not just the financial control system. The evaluation of controls is to be conducted against an assessment of the risks facing the Council, to determine their adequacy, reliability and effectiveness and how well the responsibilities assigned to managers are being carried out in practice. Internal Audit should appraise and review:

- (a) the completeness, reliability and integrity of information, both financial and operational
- (b) the systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by management of the Council, or externally
- (c) the means of safeguarding assets
- (d) the economy, efficiency and effectiveness with which resources are employed, and
- (e) whether operations are being carried out as planned and objectives and goals are met.

Internal Audit should have no executive responsibilities. It is not an extension of or a substitute for the functions of line management. Responsibility for internal control rests fully with line managers, who should ensure that arrangements are appropriate and adequate. It is for management to accept and implement audit findings and recommendations, or to accept the risk resulting from not taking action.

3. THE INTERNAL AUDIT PLAN 2010/11

The Internal Audit Section resources are: Audit Manager, Senior Auditor and support from a private sector supplier for all ICT Audit work plus and an allocation for other general audit work (mainly financial audits). The total number of audit days available for 2010/11 is 362. This is regarded as a minimum level to provide coverage of all financial systems, higher risk non-financial systems, fraud and corruption work, IT projects as well as advice and support on corporate initiatives. The Council's external auditors have confirmed they can rely on the scope and coverage of Internal Audit work. The Internal Audit Plan for 2010/11 is outlined within Appendix A. The Internal Audit Section including resources purchased from the private sector has a finite resource level and therefore its audit work is based on an assessment of risk.

The purpose of audit risk is to determine a schedule of priorities for audit attention thereby allowing the creation of an audit plan. Internal Audit use a risk methodology developed externally that takes account of best practice from other models. This methodology meets the requirements of the Council's external auditor. The risk model combines three key factors:

- Size
- Control
- Detection

Each of the three factors is given an equal overall weighting to reflect the fact that audit assessment is a combination of risk and control. The risks in each function or system throughout the business are then evaluated to create a score for each of the above three categories. The sub-categories are given different weightings to reflect their relative importance. In each section a score of between 1 and 5 is entered. The risk model then arrives at an overall score for each audit area.

As the Internal Audit Section has a finite resource, the audit plan is then developed from the highest risk down to the lowest risk that resources will cover. The risk score is also a factor on the frequency with which an audit area is audited. Only those Internal Audits assessed as a risk score above '10' (unless the audit is specifically requested from a Director or Head of Service) are scheduled to be audited in 2010/11. This risk assessment is carried out annually to ensure the most up to date information is fed into the model.

The Internal Audit Risk Assessment Model is detailed at Appendix B.

Financial Audits

This section details all financial audits that are carried out on an annual basis to provide assurance both to external audit and to the Council. The Council's external auditors would need to carry out additional audit work for assurance purposes if they could not rely on the scope and coverage provided by Internal Audit. Indeed from 2009/10 Internal Audit work on financial systems specifically includes testing work that the Council's external auditor has requested.

Corporate Audits

These are audits of a Council-wide nature covering e.g. governance, risk management, contracts, Annual Governance Statement, data matching, the Council's Fraud telephone line and work on use of resources.

Departmental Portfolio Audits

These audits are also carried out on a risk basis, again with all high and medium risk areas carried out normally at least once every three years.

Information Technology Audits

These audits are carried out by IT Audit specialists from a private sector supplier.

The Audit process

Each audit assignment will result in a specific audit report although the audit methodology will vary depending on the requirements of the scope of work. In accordance with the Audit Strategy, we will audit the processes in place for Governance and Risk Management on an annual basis. We have also developed an annual plan for Financial Management to ensure that we undertake enough work to provide reasonable assurance to satisfy the Code of Practice, Management and External Audit. For other risk areas, on a cyclical basis, we will audit the control processes in place which operate.

Our plan has been developed which:

- Seeks to provide assurance over CDC's principal risk exposures and change programmes for 2010/11 in order to assist the achievement of Council Aims;
- Takes account of the risk management process as far as existing assurances allow;
- Takes account of relevant legislation;
- Provides availability for audit advice to all Council operations but specifically those of a financial or corporate improvement agenda nature;
- Continues the provision of anti-fraud and investigative support to the organisation;
- Maximises the existing internal audit resource.

APPENDIX A – INTERNAL AUDIT PLAN 2010/11

	Last audit	Frequency	2010/11 Days	Key Audit Objective
FINANCIAL AUDITS				
Housing and Council Tax Benefits	09/10	Annual	10	Provide assurance that Housing and Council Tax Benefit is administered timely and correctly.
Payroll	09/10	Annual	10	Joint audit with BCC, AVDC and WDC to provide assurance that only bona-fide, authorised and accurate payments are made in a timely manner. Payroll IT system – assurance provided by AVDC.
Income Collection	09/10	Annual	10	A review to provide assurance that cash is managed throughout the Council in a controlled way which is consistent with the requirements of Financial Procedure Rules. The audit will include a review of the upgraded cash receipting system.
Council Tax	09/10	Annual	8	Review to provide assurance that Council Tax is timely and correctly collected.
NNDR	09/10	Annual	8	Review to provide assurance that NNDR is timely and correctly collected.
Main Accounting (Financial Ledger)	09/10	Annual	8	To provide assurance that financial transactions of the Council are recorded, including ensuring their completeness and integrity with the aim of providing the basic data from which management accounts, final accounts and statutory returns can be prepared.
Fixed Assets	07/08	3 yearly	7	To provide assurance that the Council's fixed assets are secured, insured and correctly accounted for.
Creditors	09/10	Annual	7	To ensure that all creditor payments are valid, accurate, timely and in respect of goods and services ordered and received by the Council.
Treasury Management	09/10	Annual	7	A review to provide assurance that the financial stability of the Council is maintained and efficiently manages any cash surpluses held.
Sundry Debtors	09/10	Annual	7	To ensure that sundry debtor income is properly identified, allocated and accounted for.
			82	

	Last audit	Frequency	2010/11 Days	Key Audit Objective
CORPORATE AUDITS				
Corporate Governance	09/10	Annual	10	As part of our cycle of governance compliance checks, we will identify a key element of the governance framework and test to ensure that controls are operating effectively in practice.
Audit Committee	On-going		10	Regular reporting to Management Team and the Audit Committee on Internal Audit Plans, quarterly update reports on achievement against the plan and audit findings as well as the annual report.
Fraud and Corruption	09/10	Annual	10	As part of our cyclical approach, we review the Council's Fraud and Corruption arrangements against the Audit Commission Fraud and Corruption manual. The Council's Fraud and Corruption policy will also be reviewed.
Contracts	08/09	2 yearly	10	As part of our cyclical approach to contract audit, we will undertake a review of contracts to ensure that contracts are managed in a transparent manner and are in compliance with the Council's Contract Procedure Rules.
Risk Management Process	09/10	Annual	15	To provide assurance that the Council has a robust risk management assurance framework and where appropriate, to provide assistance in the development of the risk management framework.
Performance Indicators	09/10	Annual	10	Verification of the Council's Data Quality processes and Performance Indicators.
Follow-up work	On-going		10	Follow-up work to ensure high and medium risk recommendations arising from audits have been timely implemented.
Unplanned Contingency	On-going		30	A contingency allowance for unplanned work; investigative work; advice and assistance (including contingency for work on Pathfinder project).
Annual Governance Statement	09/10	Annual	8	Preparation of the annual governance statement in conjunction with the Head of Financial Services.
Risk Management Group	On-going		6	The Audit Manager is a member of the risk management group who review council-wide operational risks and reviewing the strategic risk arrangements.

	Last audit	Frequency	2010/11 Days	Key Audit Objective
Data Matching - Audit Commission (mandatory)	09/10	Annual	10	CDC is required to input to the Audit Commission National Fraud Initiative process which Internal Audit does on behalf of the Council. There is much data matching and data analysis and we will respond to requests for information from other authorities. For 2010/11 the Audit Commission are carrying out data matching on Council Tax (Single person discount).
Financial/Contract Procedure Rules	09/10	Annual	10	Provision of advice and assistance on compliance with the Council's Financial and Contract Procedure Rules. Bi-annual review of Procedure Rules.
Actvar - audit of accounts	09/10	Annual	1	Annual audit of the financial accounts of the Association of Councils of the Thames Valley Region.
Use of Resources	09/10	Annual	5	To provide assistance on the Use of Resources assessment process.
Year-end cash certificates	09/10	Annual	1	Annual year-end check of Council cash floats.
Fraud line - administration/investigation of calls	On-going		10	Internal Audit are responsible for administration of the Council's telephone fraud line - receiving calls, passing calls to relevant officers and ensuring effective response to calls.
Partnerships	07/08	4 yearly	NIL	Internal Audit scheduled for 2011/12.
Gifts Hospitality Interests	09/10	2 yearly	NIL	Internal Audit scheduled for 2011/12.
Sustainability - Contingency	08/09	3 yearly	NIL	Internal Audit scheduled for 2011/12.
			156	

	Last audit	Frequency	2010/11 Days	Key Audit Objective
CHIEF EXECUTIVE				
Members Allowances	07/08	3 yearly	7	To ensure that all allowances paid to members are timely and correctly made.
Members compliance check	09/10	6 monthly	7	Compliance audit of member interests and eligibility.
Personnel	08/09	3 yearly	NIL	Internal Audit scheduled for 2011/12.
Housing Advances	07/08	4 yearly	NIL	Internal Audit scheduled for 2011/12.
Concessionary Fares	08/09	3 yearly	NIL	Internal Audit scheduled for 2011/12.
Expenses	09/10	2 yearly	NIL	Internal Audit scheduled for 2011/12.
Electoral Expenses and Electoral Registration	08/09	3 yearly	NIL	Internal Audit scheduled for 2011/12.
Insurance	09/10	3 yearly	NIL	Internal Audit scheduled for 2012/13.
Local Land Charges	09/10	3 yearly	NIL	Internal Audit scheduled for 2012/13.
			14	

	Last audit	Frequency	2010/11 Days	Key Audit Objective
PLANNING AND ENVIRONMENTAL SERVICES				
Car Parking	09/10	Annual	15	To provide assurance that there are effective control arrangements for the management of both on-street (SPA) and off-street parking.
Planning Services (including application advice)	07/08	3 yearly	10	To ensure the internal control framework for the administration and approval of planning applications is in accordance with statutory regulations and internal procedures.
Crematorium	09/10	Annual	5	To ensure the Chiltern's Crematorium has effective arrangements for managing its business including income and expenditure.
House Renovation Grants	09/10	Annual	5	To provide assurance that there are effective internal control arrangements for the House Renovation Grants system. The audit will concentrate on the new flexible loan scheme.
Environmental Health – Food Safety	07/08	3 yearly	10	To provide assurance that there are effective internal control arrangements for the inspection and monitoring of food safety.
Public Health/Clean and Greener Neighbourhood	No previous audit	4 yearly	10	To provide assurance that there are effective internal control arrangements in place for the Public Health/Cleaner and Greener Neighbourhood Agenda including Nuisances inc. noise; Graffiti removal; Drainage Notices; Filthy and Venomous Premises; Damage by pest Act; ASBO; Fixed Penalty Fines, stray dogs.
Building Control	06/07	4 yearly	10	To provide assurance that there are effective internal control arrangements for the Building Control system. The audit will also review the arrangements for dealing with High Hedges Complaints. This will include reviewing any revised arrangements if the joint working with Wycombe D.C. is introduced.
Safeguarding Children	No previous audit	4 yearly	7	As part of the Buckinghamshire Safeguarding Children Board to monitor and evaluate compliance in respect of Chiltern's statutory obligations under s11 of the Children Act 2004 and s157 of the Education Act 2002. These sections of the Acts place a duty on key persons and bodies to make arrangements to ensure that in discharging their functions, they have regard to the need to safeguard and promote the welfare of children. Specifically, to monitor arrangements around recruitment and selection procedures in relation to working with children and vulnerable adults.
Recycling	08/09	3 yearly	NIL	Internal Audit scheduled for 2011/12.

	Last audit	Frequency	2010/11 Days	Key Audit Objective
Health & Safety Internal Procedures	08/09	3 yearly	NIL	Internal Audit scheduled for 2011/12.
Property Management	08/09	3 yearly	NIL	Internal Audit scheduled for 2011/12.
All licensing (except Taxi/Private Hire)	08/09	3 yearly	NIL	Internal Audit scheduled for 2011/12.
Community Safety	New Area	4 yearly	NIL	Internal Audit scheduled for 2011/12.
Licensing: Taxi and Private Hire	09/10	3 yearly	NIL	Internal Audit scheduled for 2012/13.
Leisure: Indoor Sports and Recreation	09/10	3 yearly	NIL	Internal Audit scheduled for 2012/13.
Great Missenden Cemetery	08/09	4 yearly	NIL	Internal Audit scheduled for 2012/13.
Health & Safety at Work (external)	09/10	4 yearly	NIL	Internal Audit scheduled for 2013/14.
Homelessness Prevention	09/10	4 yearly	NIL	Internal Audit scheduled for 2013/14.
Community Grants and Projects	09/10	4 yearly	NIL	Internal Audit scheduled for 2013/14.
			72	

	Last audit	Frequency	2010/11 Days	Key Audit Objective
IT AUDITS				
Management of IT Audit		On-going	8	Management of the IT Audit Contract with a private sector supplier.
Network – VM Ware, CommVault and VOIP	Servers 05/06		10	The corporate network provides the backbone of IT provision and delivery of IT to departments and as such is core to the Council's business operations. The audit will focus on the security controls over the local area network (LAN) and include the new CommVault Backup solution and VOIP telephony. The audit will cover the development and management of the network according to the IT strategy and associated controls over the live monitoring of the network and support. The overall architecture will be looked at to identify if the Council has eliminated any single point of failure and help provide assurance that sufficient resilience is in place.
Data Protection & Freedom of Information	04/05 06/07		7	The Data Protection Act and Freedom of Information Act place specific obligations on the Council. This audit will look at the Data Protection and Freedom of Information arrangements in place within the Council, specifically in relation to the requirements that these pieces of legislation place on the Council.
Business Continuity Planning	06/07		7	The audit will look at the Council's business continuity and IT Disaster Recovery arrangements. Business continuity is the foundation which will help the Council recover from a disaster by ensuring measures are in place to facilitate the controlled restoration of services based on how the business has prioritised its service. Business Continuity concentrates on the user end of the recovery process and should be linked closely with disaster recovery planning. Business Continuity is also a key requirement of the 2004 Civil Contingencies Act. Disaster recovery is the process by which IT services are recovered, including networks, databases, applications and telecommunications. This should be closely linked to the Business Continuity Plan as it provides the basis for IT recovery. The Audit will look at the formation of the plan, escalation and emergency procedures and procedures for testing Disaster Recovery arrangements.
Cash receipting system	09/10		4	This audit will complete the review of the upgraded cash receipting system.
Audit follow-up work		On-going	2	The audit will identify the progress that has been made in implementing recommendations raised within previous audit reports.

	Last audit	Frequency	2010/11 Days	Key Audit Objective
IBS Open Revenues System – HB, Council Tax and NNDR Modules	07/08		NIL	Internal Audit scheduling subject to annual risk assessment.
Caps uniform	06/07		NIL	Internal Audit scheduling subject to annual risk assessment.
IT Server	05/06		NIL	Internal Audit scheduling subject to annual risk assessment.
E-Payments	06/07		NIL	Internal Audit scheduling subject to annual risk assessment.
Electoral Registration System (Xpress)	No prior audit		NIL	Internal Audit scheduling subject to annual risk assessment.
Data Security/IT Security	08/09		NIL	Internal Audit scheduling subject to annual risk assessment.
Sun Accounting System	04/05		NIL	Internal Audit scheduling subject to annual risk assessment.
Internet, e-mail, virus protection	07/08		NIL	Internal Audit scheduling subject to annual risk assessment.
Project Management	04/05		NIL	Internal Audit scheduling subject to annual risk assessment.
Remote Working	No prior audit		NIL	Internal Audit scheduling subject to annual risk assessment.
IT Strategy	05/06		NIL	Internal Audit scheduling subject to annual risk assessment.
GIS (including Bucks Maps)	07/08		NIL	Internal Audit scheduling subject to annual risk assessment. GIS data quality to be included in next audit.
Databases	04/05		NIL	Internal Audit scheduling subject to annual risk assessment.
Bacs Processing	08/09		NIL	Internal Audit scheduling for 2012/13.
Gov Connect	09/10		NIL	Internal Audit scheduling subject to annual risk assessment.
Firewall, intrusion prevention, penetration testing	06/07		NIL	Internal Audit scheduling subject to annual risk assessment.
PCI DSS Compliance			NIL	Internal Audit scheduling subject to annual risk assessment.

	Last audit	Frequency	2010/11 Days	Key Audit Objective
Help Desk; Physical security, Environmental controls; WAN	09/10		NIL	Internal Audit scheduling subject to annual risk assessment.
Contingency			NIL	Contingency for unplanned IT Audit work.
			38	
TOTAL INTERNAL AUDIT DAYS ALLOCATED			362	
TOTAL INTERNAL AUDIT DAYS AVAILABLE			362	

SERVICES/SYSTEMS NOT CURRENTLY SUBJECT TO INTERNAL AUDIT DUE TO LOW RISK OR ALTERNATIVE ASSURANCE PROVIDED	
CHIEF EXECUTIVE	
Communications Strategy	Low risk
VAT	Customs and excise review
Inventories and office security	Low risk
Reprographics	Low risk
Internal Catering	Low risk
PLANNING AND ENVIRONMENTAL SERVICES	
Housing Enabling Role	Low risk
Open Markets	Low risk
Land Drainage	Low risk
Community Centres	Low risk
Town and Village Revitalisation	Low risk
Traffic Management	Low risk
Community Parks and open spaces	Low risk
Conservation	Low risk
Woodlands	Low risk

APPENDIX B - INTERNAL AUDIT RISK ASSESSMENT MODEL

	SCORE	WEIGHTING	TOTAL	WEIGHTED SCORE
SIZE	1 TO 5			
Combined value of income and expenditure		2		
Number of employees		1		
Impact on the Council		3		
Volume of transactions		1		
TOTAL SIZE SCORE				
CONTROL	1 TO 5			
Impact on management and staff		2		
Third party sensitivity		1		
Standard of internal control		3		
Likelihood of occurrence from risk matrix		3		
TOTAL CONTROL SCORE				
DETECTION	1 TO 5			
Likely effectiveness of audit		1		
Duration of the audit		2		
Length of time since the last review		2		
Effectiveness of other assurance providers		2		
TOTAL DETECTION SCORE				
TOTAL RISK SCORE				

**CHILTERN DISTRICT COUNCIL
AUDIT SUB COMMITTEE – 18 MARCH 2010**

Background Papers, if any, are specified at the end of the Report

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – PROGRESS UPDATE

Contact Officer: Gary Martin (Direct Line 01494 732260; email gmartin@chiltern.gov.uk)

RECOMMENDATIONS

That Members note the progress to date regarding preparation for the introduction of International Financial Reporting Standards.

Report

- 1 A previous report to Performance and Resources Overview dated 17 November 2009 informed Members of the requirement for local authorities to convert to International Financial Reporting Standards (IFRS) for the reporting of accounting information. That report highlighted the key changes, the implications for the Council's Statement of Accounts and identified resource implications. This report provides an update on progress to date.
- 2 A detailed project plan to June 2011 is attached at **Appendix D**. The high level implementation timetable is as follows:

Stage 1	Restate 01.04.09 balance sheet to IFRS	By 31 December 2009
Stage 2	Audit sign off restated accounts	By 31 March 2010
Stage 3	Restate 2009/10 UK GAAP accounts to IFRS	By 31 December 2010
Stage 4	Audit sign off restated accounts	By 31 March 2011
Stage 5	Closedown 2010/11 on IFRS basis	By 30 June 2011

- 3 An interim accountant has recently completed a three month contract in order to review requirements and make the necessary preparations. As a result of this the 01.04.09 balance sheet has been restated to IFRS and an audit working file prepared from which to follow on when converting the 2009/10 UKGAAP accounts to an IFRS basis.
- 4 Progress against the project plan has been discussed with the external auditors, specifically regarding leases and employee benefits due. It has been agreed that a standard calculation can be used for employee benefits since the figure is relatively small (1.43% of total salaries), subject to periodic review. There is uncertainty as to whether the restated

Item 5.4

accounts will be subject to audit by 31 March 2010 but the audit of the 2009/10 accounts will include a review of IFRS progress.

- 5 A working group has been established comprising representatives from the Bucks authorities to discuss progress and share knowledge. The next meeting is scheduled to take place in March to review progress and compare opening restated balance sheets. Two accountancy staff have recently attended IFRS training days provided by the Audit Commission. The recent Audit Commission report 'Countdown to IFRS' is attached for reference at **Appendix E**.

Background Papers: None

PROJECT PLAN; RESTATEMENT OF THE OPENING IFRS BALANCE SHEET

Week ending		20 Nov 2009	27 Nov 2009	04 Dec 2009	11 Dec 2009	18 Dec 2009	25 Dec 2009	01 Jan 2010	08 Jan 2010	15 Jan 2010	22 Jan 2010	29 Jan 2010	05 Feb 2010	12 Feb 2010
▼ Task ▼	Resource													
1 Outline assessment of high impact issues to determine which affect Chiltern District Council	AH, JB	Complete												
2 Develop a detailed project plan	AH, JB	Complete												
3 Identify key staff affected; communicate to them their involvement in IFRS, allocate responsibilities	AH, JB	Complete												
4 Identify information required to restate the April 2009 Balance Sheet	JB	Complete												
5 Develop outline format; Balance Sheet, notes and disclosures	JB		Complete											
6 Key staff trained on the stages and implications of IFRS transition	JB		Complete											
7 Gather information required to restate the April 2009 Balance Sheet	Key IFRS staff													
8 Identify potential areas of impact on the budget	AH, JB													
9 Identify and implement systems and procedural changes required	JB													→
10 Formulate policy changes required	AH, JB													
11 Restate the 1st April 2009 Balance Sheet in IFRS format	AH, JB													
12 Assess changes required to the chart of accounts for 2010/11	GM, HoK, JB													
13 Develop outline Statement of Accounts formats with full policies, notes and disclosures	GM, HoK, JB													
14 Identification of all relevant staff and members requiring training on the implications of IFRS	AH, GM, HoK													

OUTLINE PROJECT PLAN; TRANSITION TO FULL IFRS ACCOUNTS with resources required

Key dates	March 2010	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011
▼ Task ▼																
15 Develop a detailed project plan for the second stage of transition (parallel 2009/10 accounts)	Key Finance staff															
16 Training of all relevant staff and members on the implications of IFRS	Key Finance staff															
17 Brief key staff throughout the Council on their involvement, and of the deadlines		Finance staff														
Production of the UK GAAP compliant 2009/10 accounts		Finance staff														
Audit of the UK GAAP compliant 2009-10 accounts																
18 Refine the IFRS-format Statement of Accounts, with full policies and Notes					Senior Finance staff											
19 Restate the 2009/10 Statement of Accounts in IFRS format, with full working papers					All Finance staff											
Production of the 2010/11 revised and 2011/12 original budgets						All Finance staff; requiring budget holders' assistance										
20 Training on IFRS issues for new staff or members; updates for trained staff, as required										External training providers and key Finance staff						
21 Production of the 2010/11 accounts on a full IFRS basis														All Finance staff		

Key; IFRS tasks Major annual projects taking up Finance staff time.

Countdown to IFRS

Implementation in local government

Local authorities need to make urgent progress now to ensure that their 2010/11 accounts will meet the required standards and will not be late. They also need to ensure that their arrangements for managing the transition achieve good value for money.

Authorities should now act, if they have not already done so, to:

- develop and maintain a detailed project plan, including a budget and resource plan;
- conduct a detailed impact assessment;
- engage the wider organisation, because IFRS is not just a finance issue;
- ensure that their audit committee, or equivalent, is aware of the implications of IFRS; and
- begin a dialogue with their external auditor on the authority's plans and progress, and the issues arising.

Successful implementation of International Financial Reporting Standards (IFRS) is vital to the reputation of individual local government bodies and the sector as a whole. Local authorities are falling behind CIPFA's indicative timetable.ⁱ This brings real risks, but the position is retrievable if authorities take urgent action now.

Local authorities will prepare financial statements based on IFRS under the new *Code of Practice on Local Authority Accounting* for 2010/11. This paper reports local government's progress and highlights the need for authorities to take action now. Several milestones towards implementation have already passed, but the timetable can still be met, if authorities take the right steps now.

In May 2009, the Audit Commission published a briefing paper that considered project management and the issues that will have the most significant impact on authorities' accounts. In May and September 2007, we published papers on the introduction of IFRS into the public sector and what auditors can and cannot do to support local authorities as they prepare for the transition to IFRS.ⁱⁱ

This briefing paper draws on evidence collected in November 2009 by auditors of all local authorities, fire and rescue authorities and police authorities, on local government's readiness for the transition to IFRS. Further briefings will follow, which will focus on the main technical issues.

Local government needs to lead and manage the transition

A failure to achieve successful transition to IFRS would cause significant reputational damage to individual local authorities and the local government sector as a whole. Poor preparation will heighten the risk that accounts will not meet requirements and so attract a qualified auditor's opinion or be published late. At a practical level, there is a risk that extra and unnecessary costs will be incurred.

Only one authority in seven was on track

Our IFRS survey of auditors found that only one authority in seven was on track, and one in five was having serious difficulties. Local authorities therefore need to satisfy themselves that proper arrangements are in place to manage this project and that the project is on track.

i This paper is relevant to local authorities, fire and rescue authorities and police authorities.

ii Further IFRS briefings are available at www.audit-commission.gov.uk/ifrs

In the NHS, which is subject to a transition process similar to central government's, the Department of Health is managing the transition centrally and has set a series of trigger points for producing restated accounts, which bodies have to meet. Auditors have also been asked to review the arrangements that bodies have put in place for the transition and to give an opinion on IFRS-restated comparatives. We have issued a briefing for NHS bodies that highlights that, even within this more structured approach, individual bodies experienced problems and unanticipated technical issues arose.ⁱ Local government does not have an equivalent process as it is constitutionally separate from central government; it is for each local government body to manage the transition individually.

The private sector companies that planned and prepared early did not experience as great a diversion of resources as those which were not so well prepared. Advanced planning and detailed financial work is needed now to successfully meet IFRS by the statutory deadline.

Audit committees need to assure themselves the transition is on track

Every audit committee, or the equivalent, should be sufficiently aware of the requirements of IFRS to ensure that the transition project is given suitable corporate priority. But our survey in November 2009 found that audit committees were not engaged with IFRS implementation. Forty-six per cent of authorities had not informed the audit committee of their transition plans and, in 59 per cent of authorities, the audit committee did not have a role in overseeing IFRS transition.

Forty-six per cent of authorities had not informed the audit committee

Audit committees are an important part of corporate governance. They are a key source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and non-financial performance.

IFRS are principles-based, so professional judgement and interpretation is necessary. A hallmark of successful implementation in health has been early and continuing communication with external auditors. Nearly a third of authorities had not discussed the IFRS transition with their auditor at the time of the survey. Local authorities should be having early discussions with their external auditors to understand and take a view on their interpretation of IFRS requirements. They cannot afford to leave this to the last minute.

Finance departments that have not already done so should report now on IFRS requirements to their audit committee (or equivalent) which should be seeking assurance on progress. Discussions between external auditors, finance teams and the audit committee, should be ongoing.

ⁱ *NHS Briefing Paper 7: Auditors' Review of Restated Comparatives for the 2009/10 Accounts*, February 2010, summarises key findings from auditors' work in relation to restatement of IFRS balances, which will also be helpful to practitioners in local government.

The importance of effective governance and management is highlighted by the risks identified by authorities as reported by auditors. Authorities' main concerns surround:

- the capacity to make the changes in the required timescale (expressed by 60 per cent of authorities);
- the preparation of accounts that do not meet requirements in all material respects leading to a qualified audit opinion (expressed by 27 per cent of authorities);
- technical capability (expressed by 20 per cent of authorities); and
- the potential impact on maintaining appropriate support to service delivery (expressed by 12 per cent of authorities).

Authorities need to complete and maintain a risk assessment

If they have not done so, authorities need to complete and maintain a risk assessment for inclusion in their corporate risk register.

Authorities need to catch up

Authorities are behind where they should be. CIPFA has drawn on lessons from other sectors and published LAAP Bulletin 80, *Implementation of IFRS: Outline Project Plan*, in March 2009. This set out a high-level outline project plan for local government bodies.

A project plan is essential. It can help to establish the basis for project governance, approval and monitoring, define roles and accountabilities, policies and standards and associated processes. The survey found that 77 per cent of authorities had a project plan for IFRS transition in November 2009, but just over three-quarters of these did not contain basic details such as a budget and a resource plan.

Table 1 shows that many authorities had not met key milestones in CIPFA's timeline which had already passed at the time of our survey. Although the timeline is only indicative, local government now needs to pick up the pace.

Table 1: **Examples where authorities lag behind the CIPFA timetable**

Step	Latest recommended completion	Proportion of authorities which had not completed by November 2009 (%)
Carry out high-level impact assessment	May 2009	42
Identify key staff	May 2009	20
Assess whether resources are adequate	May 2009	35 ⁱ
Develop skeleton Statement of Accounts under IFRS	September 2009 ⁱⁱ	95
Identify likely impact on budgets (if any)	September 2009	40

Source: Audit Commission

Authorities should not be waiting for CIPFA guidance, as the published Code is authoritative and provides the information needed to prepare IFRS based accounts.

Authorities should not be waiting for CIPFA guidance

Resources for transition activities should have been considered

Authorities should have considered the resources required for the work involved in the transition to IFRS. We recommended in our third briefing paper, *Managing the Transition to IFRS*, that senior management needs to consider whether there are enough resources and skills available within the authority to achieve a timely and smooth implementation of the new standards.

ⁱ Thirty-five per cent had not established a budget for the transition in November 2009.

ⁱⁱ Assumes CIPFA/LASAAC agree formats in March 2009.

Our November 2009 survey found 65 per cent of authorities had not set a budget for transition. Occasionally auditors report this is because authorities have completed an impact assessment and know they can manage transition and ongoing reporting within current staff workloads. However, usually auditors report that this is because authorities do not yet know what the impact will be and therefore do not know what resources will be required.

We know from experience in other sectors that the resources required to manage the transition relate more to the nature and quality of existing systems and arrangements than the size or capacity of the organisation. Transition will incur costs; authorities that have not done so already should develop a detailed resource plan.

There is a significant risk to value for money if there are delays in the transition

Effective leadership and project management is essential to manage the costs of transition effectively. There is a significant risk to value for money if there are delays in the transition. These will lead to extra, avoidable costs to achieve the fixed deadline for the preparation of the accounts.

Knowledge management is essential

Authorities that hire external advisers to help with the IFRS transition need to work collaboratively with them rather than simply outsource. Sixty-three per cent of authorities are using, or plan to use, external advisers to help implementation, mainly for technical input. We do not recommend wholesale externalisation of the IFRS implementation process, unless there is an effective transfer of knowledge between finance and any external consultants. This will lessen the learning curve and help ensure that IFRS reporting is repeatable once the initial change-over is completed.

If authorities decide to use external consultants, they need to make arrangements sooner rather than later to avoid higher costs and to ensure proper arrangements for knowledge transfer can be put in place.

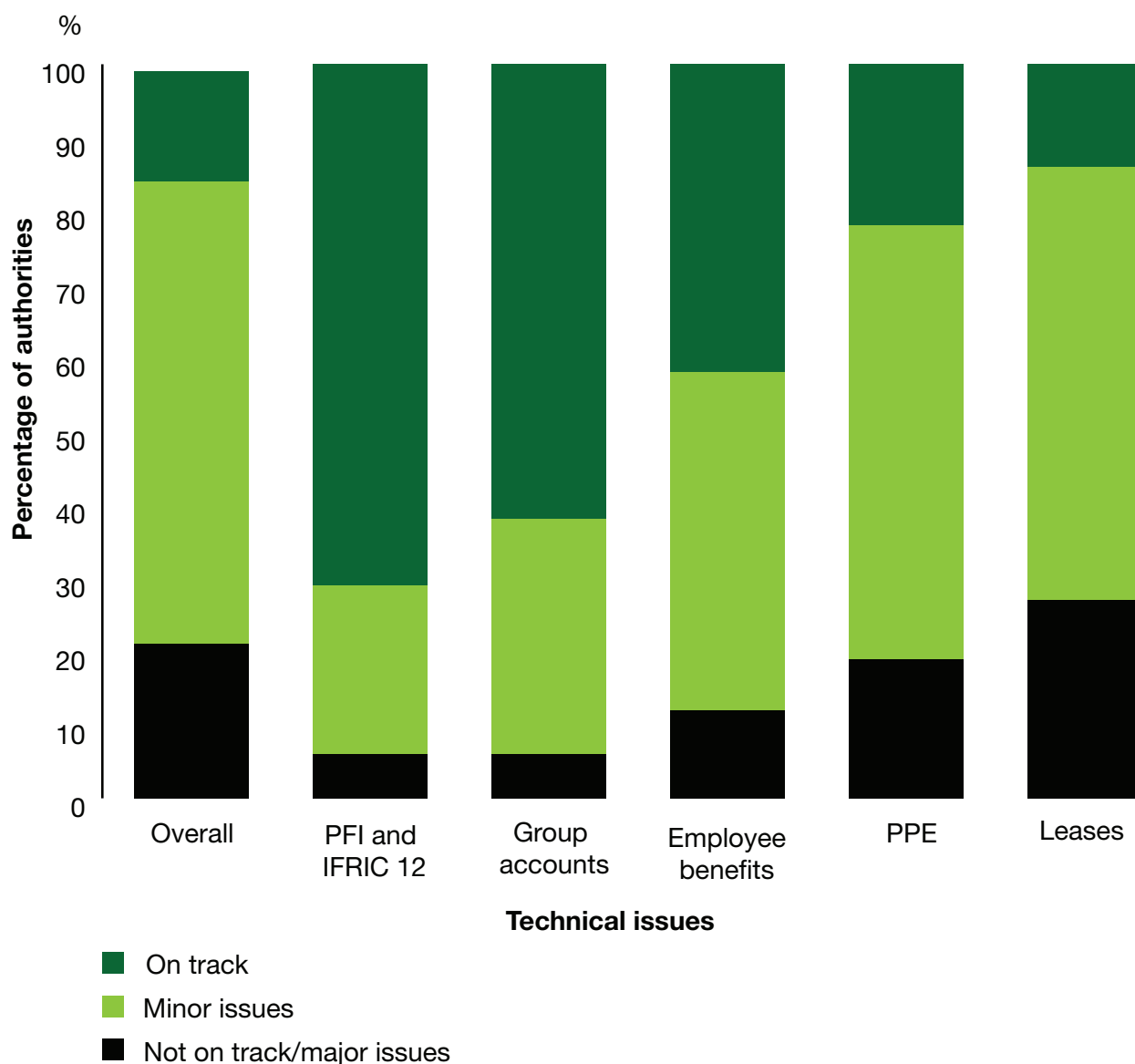
Individuals both inside and outside the financial reporting function, at different levels of seniority, will require some degree of training on IFRS. For some, this knowledge will be necessary to perform their jobs, while for others the understanding will clarify how IFRS may impact on them. Ninety-nine per cent of authorities have already trained staff, or plan to train them, in preparation for IFRS implementation. Training is even more important given auditors' recent continuing concerns about the skill level of staff delivering working papers and financial information for audit.ⁱ

ⁱ Thirteen per cent of local authority auditors have reported concerns to the Audit Commission about the skill level of staff delivering working papers and financial information for audit.

Identification and assessment of the technical impact on accounts is needed urgently

Figure 1: Auditor assessment overall and against key technical areas

Auditor assessments show that property, plant and equipment, and leases are key problem areas for authorities



Source: Audit Commission

Authorities need to address operational and technical issues. In our November 2009 survey, auditors assessed authorities' progress in each of the main technical areas that are likely to have the most significant impact on authorities' accounts and overall. Overall, 15 per cent of authorities were rated as on track, 63 per cent rated as having minor issues, and 21 per cent rated as not on track and having major issues.

Appendix E

Forty-two per cent of authorities had not yet completed an initial impact assessment

Key local drivers for change should be identified through an early analysis of how each IFRS will impact on the authority's systems, structures, people, internal or external financial reporting, and service reporting needs. Forty-two per cent of authorities had not yet completed an initial impact assessment in November 2009 whereas CIPFA had recommended that this work should be completed by June 2009.

There are also signs that even those authorities that have made an impact assessment have focused on the most widely reported technical issues, rather than working out what IFRS will mean to their authority. Authorities that have not already done so should complete an impact assessment now. All authorities should now be conducting detailed technical analyses and updating their initial impact assessment regularly.

IFRIC 12 requires urgent attention

Authorities need to be certain that they have identified all arrangements that may fall under IFRIC 12 now. In the NHS many arrangements were not identified early in the transition process. This caused delays and auditors reported concerns to the Department of Health, as we highlighted in our briefing for NHS bodies.

International standards do not directly address Public Finance Initiative (PFI) accounting. IFRIC 12: *Service Concession Arrangements* looks at such arrangements from the perspective of the private sector service provider. While the IFRIC interpretation does not specifically address PFI accounting, the circumstances it addresses are analogous to those found in a PFI scheme. In most PFI schemes we would expect to see the PFI asset appearing on the public sector balance sheet.

It is also important to recognise that it is not only schemes previously identified as PFIs that will be affected. IFRIC 12 applies to other arrangements, with similar characteristics. So even if an authority thinks it may not be affected by this change, it could be. That is why carrying out an impact assessment is essential.

This issue is particularly pressing, because the CIPFA/LASAAC joint committee has opted to adopt IFRIC 12 earlier than the rest of the international standards.ⁱ The 2009/10 Statement of Recommended Practice requires authorities to prepare financial statements using IFRIC 12.

ⁱ With the exception of financial instruments.

Although the survey found that 71 per cent of authorities were reportedly on track for PFI and IFRIC 12, most authorities had not yet completed a detailed impact analysis. Those that had were far less likely to be confident that they were on track. Experience from the NHS and central government suggests that accounting for arrangements falling under IFRIC 12 is complex and time-consuming. Often, the information needed is either held by a service department or by a third party and getting this information can be difficult. Deciding the bases for measuring and valuing the arrangements has also proved challenging. Local authorities need to act with urgency to ensure that the information is available for the 2009/10 financial statements. It should not – and cannot – be left to the year-end to resolve.ⁱ

Finance departments cannot do this alone

One of the principal lessons learned from the NHS and central government experience is that IFRS affects all parts of an organisation. To succeed, the change must be embedded across the wider organisation, involving people at all levels. It is not just a finance issue: corporate direction is essential.

Authorities will need to collect and collate extra or new data that is not readily available. Where this is the case, clear decisions should be taken on how that extra data is to be captured. Departments such as finance, internal audit, estates, IT, human resources and legal have key roles to play, and this needs senior management involvement and leadership. Experience suggests that if the transition is not supported by senior management and an organisation-wide approach is not taken, IFRS implementation will be disjointed, take longer than necessary and be more expensive.

Sometimes, IFRS will require changes to existing systems or even the development of new systems. Not all of those systems will be under the control of the finance department. Therefore, there is a need to ensure that all departments that hold or produce information needed under IFRS are aware of the requirements and have signed up to ensure that information is available in time. Senior managers have a key role in embedding change throughout the organisation and imposing suitable internal controls to help lessen the risk of errors and make sure IFRS reporting is sustainable.

**Senior managers
have a key role
in embedding
change**

Deciding on appropriate departmental representation on an IFRS project team will depend on each authority's impact assessment. Our survey found that, in addition to finance staff, typically IFRS project teams also include representatives from property (in 64 per cent of authorities), human resources (in 37 per cent of authorities), IT (in 23 per cent of authorities), and service departments (in 20 per cent of authorities).

ⁱ The Audit Commission has previously commented on the risks of viewing the year-end accounts as just a one-off annual exercise. Sometimes, the final accounts are the first occasion on which income and expenditure is properly accrued and a balance sheet is prepared. Following their work on the 2009/10 accounts, 24 per cent of local authority auditors expressed concerns about the quality or timeliness of financial information delivered for audit.

Authorities can identify potential benefits

Implementation is a requirement and will come at a cost, but potential benefits have also been identified by authorities and reported to the Commission by auditors in the November 2009 survey. We have found that authorities that are identifying what needs to be done to improve systems, data and in-year management systems see benefits from transition work including:

- better understanding of contractual and lease commitments (acknowledged by 55 per cent of authorities);
- more accurate accounting for fixed asset components (acknowledged by 31 per cent of authorities); and
- better employee benefits data (acknowledged by 19 per cent of authorities).

Further information

Auditors will be discussing the issues summarised in this briefing with their authorities and the Audit Commission will be conducting follow-up work in summer 2010.

The Audit Commission is also planning to publish further briefing papers over the coming months, covering issues arising from key areas such as leases, property, plant and equipment, and employee benefits.

Please visit www.audit-commission.gov.uk/IFRS for more information about IFRS and implementation work.

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CHILTERN DISTRICT COUNCIL**AUDIT SUB-COMMITTEE – 18 MARCH 2010**

Background Papers, if any, are specified at the end of the Report

REVIEW OF STATUS OF THE AUDIT SUB-COMMITTEE

Contact Officer: Lynne Reardon, Monitoring Officer (01494 732761) (01895 837229)

RECOMMENDATIONS

To recommend to full Council that

- 1. the Audit Sub-Committee becomes a full Committee reporting direct to the Council with effect from the Annual Meeting in May 2010.**
- 2. the terms of reference of the Performance and Resources Overview Committee and the Audit Committee as attached at Appendix 1 be approved.**
- 3. subject to recommendation 1. being approved that the SRA of the Chairman of the Committee be reviewed and a SRA be introduced for the Vice-Chairman.**

Relationship to Council Objectives

Objective 1: Efficient and Effective customer focused services

Implications

- (i) Not identified as a Key Decision*
- (ii) Does not effect Policy and Budgetary Framework*

Financial Implications

There are no financial implications flowing directly from the recommendations contained in this report other than a possible review of the Special Responsibility Allowance paid to the Chairman of the Audit Committee vis a vis the approved SRA for the Chairman of the current Audit Sub-Committee if this is considered to involve any greater responsibility – and the possible introduction of a SRA for the Vice-Chairman of the Committee.

Risk Implications

There is a risk of further criticism from the External Auditors if the status of the Audit Sub-Committee is not enhanced as recommended.

Item 5.5

Equalities Implications

None.

Sustainability Implications

None.

BACKGROUND

1. Members may recall that a report was requested at the 18 February 2009 Constitution Review Committee for the 25 March 2009 Committee as to the possibility of reconstituting the Audit Sub-Committee as a Standing Committee.
2. A report was duly submitted in which this matter was debated. At that time the issues were:
 - to avoid the need for the Performance and Resources Overview Committee to meet immediately after the Annual Meeting of the Council to establish and appoint the Audit Sub-Committee and
 - in order that the minutes of the Audit Sub-Committee could be reported to the Cabinet (as appropriate) and presented to meetings of the Council.
3. The Constitution Review Committee however agreed that the revised arrangement for the parent committee to meet sequentially after the Annual Meeting had already addressed this problem in the main and therefore no change be made to the status of the Audit Sub-Committee.

DETAILS

4. Since then however the Audit Sub-Committee has met and considered the External Auditors Annual Governance report for 2008/9 at its meeting on 28 September 2009.
5. The External Auditors, who are the Audit Commission, advised that although it had not been made an issue for 2008/9, the Council needed to address the fact that the Audit Sub-Committee was effectively a Scrutiny Sub-Committee dealing with governance issues.
6. Guidance issued by CIPFA recommended that the Audit Committee should be independent of the Cabinet and Scrutiny functions and the Auditors themselves raised the point that they considered that a sub-committee has insufficient weight and they needed access to those in governance which to them means a standing Committee.
7. It is recommended that any changes be made with effect from the Annual Meeting next May 2010.

8. Members will note the SRA for the Audit Sub- Committee chairman has been set at a lower rate than some other Committee chairman – although in line with the Chairman of Standards, Constitution Review and Personnel – however some Chairman receive higher allowances. Members are therefore asked to consider in the light of the recommendation herein if the SRA of the Audit Committee Chairman should be reviewed – and further if a Vice-Chairman SRA should be introduced.
9. The comments from the Constitution Review Committee held on 25 February 2010 will be circulated separately.

Background Papers: *Local Government Act 2000 CIPFA Guidance*

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With effect from the Annual Meeting in MAY 2010**9 PERFORMANCE AND RESOURCES OVERVIEW COMMITTEE****9.1 General**

A statutory Committee of the Council established to scrutinise and conduct Value for Money Reviews in relation to the services and functions falling within the Leader and Resources and Improvement Cabinet Portfolios and related functions.

9.2 Membership, Chairmanship and Quorum

Number of Members	Eleven
Substitute Members Permitted	No
Political Balance Rules apply	Yes
Appointments/Removals from Office	By resolution of full Council
Restrictions on Membership	Chairman and Vice-Chairman of the Council and Members of the Cabinet are ineligible
Restrictions on Chairmanship/Vice-Chairmanship	Chairmanship of one of the Council's three Overview Committees is reserved for a member of the largest minority party group on the Council. If the Chairman is a member of a particular party group then the Vice-Chairmanship is reserved to a member of the largest remaining party group
Quorum	Five
Number of ordinary meetings per Council Year	Four
Standing Sub-Committees	None

9.3 Terms of Reference**9.3.1 Areas of Responsibility**

The Areas of Responsibility of the Committee are: -

- 1) The functions and service falling within the Leader and Resources and Improvement Cabinet Portfolios as described in Section C of Part 3 of this Constitution
- 2) The functions of the Council shared with the Leader and Resources and Improvement Cabinet Portfolios or which directly or indirectly affect the discharge of the services and functions falling within those portfolios
- 3) The external Partnerships falling within the Leader and Resources and Improvement Cabinet Portfolios and any other external body or stakeholder whose activities directly or indirectly affect the discharge of any of the services and functions falling within those Portfolios

Appendix

- 4) The Corporate Assessment aspects of the Comprehensive Performance Assessment.

9.3.2 Committee Tasks

The power to perform the following Tasks within the Areas of Responsibility of the Committee.

General Role

- 1) To develop and monitor its own work programme(s).
- 2) To review the Forward Plan of the Cabinet.
- 3) To make reports and/or recommendations to the full Council and/or the Cabinet.
- 4) With the consent of the Cabinet Leader or Resources and Improvement Portfolio Holder (as the case may be), consider reports relating to Key Decisions prior to consideration by the Cabinet.
- 5) Consider any matter affecting the District or its residents.

Scrutiny

- 6) To review and scrutinise the performance of the Cabinet Leader and the Portfolio Holder for Resources and Improvement in relation to (i) policy and budgetary development and implementation, (ii) the discharge of Executive functions including relevant national or local performance indicators, measures or targets, and (iii) decision making generally.
- 7) To review and scrutinise the performance of the Council in relation to its policy objectives, national or local performance indicators, measures or targets and/or particular service areas.
- 8) To question members of the Cabinet and/or the Chief Executive/Director and Heads of Service about any matter that this Overview Committee is empowered to scrutinise by the Clauses above.
- 9) To invite members of the public and/or representatives of community and partner organisations, or experts, to attend and give evidence to the Committee in connection with any matter arising out of, or in connection with, or resulting from, the scrutiny process.
- 10) To review the performance of other public bodies in the area.
- 11) Subject to their consent first being obtained, to question and gather evidence from any person in connection with any matter arising out of, or in connection with, or resulting from, the scrutiny process.

- 12) To receive and review the Annual FOIA report. (Con Review 6.10.09 and Council 27.10.09)

Value for Money and Comprehensive Performance and Assessment (CPA) role

- 13) To undertake value for money reviews of services or key partnerships - this may be at the request of the Cabinet, Council or identified as part of the Committees own work programme
- 14) To approve the terms of reference of any value for money reviews to be undertaken and take overall responsibility for the completion of that review
- 15) To consider any reports in relation to Value for Money or the CPA received from the Audit Commission, or the external or internal Auditor and the Councils own Audit Committee and make recommendations to Council or to the Cabinet as appropriate in relation thereto.

Policy Development and Review

- 16) If requested to do so by full Council or the Cabinet:-
 - (i) to assist in the development of the Council's Budget and Policy Framework beyond the role allocated to it by the Budget and Policy Framework Procedure Rules set out in Section E of Part 4 of this Constitution by in-depth analysis of policy issues, including conducting research and community consultation;
 - (ii) to consider and implement mechanisms to encourage and enhance community participation in the development of policy options; and
 - (iii) to liaise with other external organisations operating in the District, whether national, regional or local, to ensure that the policy development and implementation and decision making generally is enhanced by partnership and collaborative working.

Finance

- 17) To exercise overall responsibility for the finances made available to it.

9.4 Delegations

Within the Areas of Responsibility of the Committee the matters referred to in paragraphs 9.3.1 and 9.3.2 of the Terms of Reference.

9.5 Notes

Appendix

- 9.5.1 The terms of reference of this Overview Committee must be read in conjunction with the various Procedural Rules set out in Part 4 of this Constitution, particularly the Overview and Scrutiny Procedure Rules, Access to Information Rules and the Budget and Policy Framework Procedure Rules.
- 9.5.2 The Constitution Review Committee on 25 February 2010 and the full Council on 30 March 2010 agreed the Audit Committee should become a full Committee with effect from the Annual Meeting in May 2010.

10 AUDIT COMMITTEE

10.1. General

A Committee established to conduct the internal and external audit functions of the Committee; namely to act as the Audit Committee of the Council in accordance with relevant CIPFA Codes of Practice by considering the Internal Audit Plan and the Annual Report of the Internal Audit Manager and related matters as well as the Annual Audit Letter of the External Auditor.

10.2 Membership, Chairmanship and Quorum

Number of Members	Six (plus Chairman of Performance & Resources Overview Committee - ex officio)
Substitute Members Permitted	No
Political Balance Rules apply	Yes
Appointments/Removals from Office	By resolution of full Council.
Restrictions on Membership	Chairman and Vice-Chairman of the Council and Members of the Cabinet are ineligible
Restrictions on Chairmanship/Vice-Chairmanship	None
Quorum	Three
Number of ordinary meetings per Council Year	Minimum of Two

10.3 Terms of Reference

To consider the following matters:-

- 1) The terms of reference for and the adequacy of the resourcing of the Internal Audit function.
- 2) The Internal Audit Plan.
- 3) The periodic plans of Internal Audit, progress against and material changes made to these plans, and any implications arising from their findings and opinion.
- 4) The adequacy of the management response to Internal Audit advice and recommendations
- 5) The Annual Report of the Internal Audit Manager
- 6) The adequacy of the arrangements for the Councils assurance and performance management processes and the Annual Governance Statement
- 7) The adequacy of arrangements made for co-operation between Internal Audit, External Audit and other review bodies

Appendix

- 8) Review of the Statement of Accounts and opinion of the External Auditor
- 9) The Annual Audit Letter of the External Auditor
- 10) The adequacy of and keeping under review the Council's Financial Procedure Rules, Purchasing and Contract Procedure Rules - to make recommendations to the Cabinet and Council thereon as considered necessary/prudent.

10.4 Delegations

Items 1 to 7 of these Terms of Reference are full delegated. Recommendations arising out of Items 8, 9 and 10 shall be reported to the Cabinet and/or full Council as appropriate.

10.5 Notes

The Audit Committee became a full Committee with effect from the Annual Meeting in May 2010 – Con Review 25.2.10 – Council 30.3.10.

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