

Annual Audit and Inspection Letter

March 2008



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Breckland Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- Auditors are appointed independently from the bodies being audited;
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Key messages

- 1 The main messages for the Council included in this Annual Audit and Inspection Letter are as follows.
 - Breckland Council's priority services have continued to improve. The Council is reducing homelessness, delivering more affordable houses and improving the amount of waste recycled. The percentage of performance indicators improving is high when compared with others and overall performance is good. The Council has a clear understanding of the needs of its communities, and is beginning to consider how to strengthen its community leadership for the local area. Work with partners has contributed to lower crime levels, and the development of health initiatives.
 - Capacity has improved and stabilised. Performance management continues to be effective at improving targeted service improvements. The Council is continuing to work on its strategic plans for the future and is developing in tandem, the Local Development Framework and the Sustainable Communities Strategy. The Council has made some progress in addressing equalities and diversity issues. It is delivering adequate value for money and has made good progress in delivering its efficiency plan.
 - We issued an unqualified audit opinion on the 2006/07 statement of accounts and certified the completion of the audit.
 - We concluded that, in all significant respects, the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007, except for the failure to put in place arrangements to manage its significant business risks and arrangements for the management of its asset base.
 - The Council's overall corporate governance arrangements are satisfactory but further work is necessary to develop risk management arrangements.
 - We assessed the Council as performing at level 2 in our 'use of resources' judgement which represents an adequate level of performance.
 - Overall data quality arrangements are satisfactory but further work is necessary to fully embed these arrangements across the Council.

Action needed by the Council

- 2 The Council should:
 - continue to strengthen its strategic community leadership role;
 - address the issues necessary to further improve the Council's use of resources assessment; and
 - monitor the progress on the implementation of agreed recommendations in our data quality report.

Purpose, responsibilities and scope

- 3 This letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 4 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 5 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.
- 6 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 7 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 8 We have listed the reports issued to the Council relating to our 2006/07 audit and inspection work at the end of this letter.

How is Breckland Council performing?

- 9 Breckland Council was assessed as 'Good' in the Comprehensive Performance Assessment carried out in 2003. These assessments were completed in all district councils and we are now updating these through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

- 10 The Council has a clear vision for Breckland. It established three priorities, supported by nine objectives in its six-year Business Plan, 2004-2010. The priorities have been derived from the Community Plan for Breckland, (2005-2015) developed by the Local Strategic Partnership.
- 11 The Council's aims are to provide:
- a well planned place to live that encourages vibrant communities;
 - a safe and healthy environment; and
 - a prosperous place to live and work.

- 12 The objectives are to:
- work towards a balanced, decent housing market;
 - make and keep Breckland a clean and tidy place to live and work;
 - work towards vibrant, sustainable and inclusive communities;
 - enhance Breckland's rural character and landscape;
 - contribute to safer communities;
 - promote healthier lifestyles and reduce health inequalities;
 - foster a culture of learning and skills development;
 - encourage local businesses to flourish and grow and create quality jobs; and
 - ensure organisational effectiveness through good management, optimising external income and listening to local people.
- 13 The Council's overall performance in improving its services and corporate management is strong. Sixty per cent of performance indicators (PIs) improved between 2005/06 and 2006/07, which is slightly above the district council average. In 2006/07, over two thirds of the Council's PIs were above average with 31 per cent in the top quartile (slightly below the average of 33 per cent), and only 12 per cent amongst the worst performing councils.
- 14 The Council has a clear understanding of the needs of its communities and works hard to engage with all local residents. The Council has clearly identified its separate 'seldom heard' groups and has a programme to reach out to them. For example, the provision of a homelessness hostel scheme for young people, developing and gaining funding for a short stay traveller site, English language training and a rural arts and sports programme.
- 15 The Council continues to focus on what matters most to local people. Consultation has identified strong concerns in relation to affordable housing, street cleanliness, recycling and crime levels. Other issues were identified as needing improvement but not rated highly important, for example activities for teenagers and pavement repairs. In response, the Council enabled development of 56 affordable homes by the end of 2006/07, in line with its target and by December 2007, had completed 69 toward the 2007/08 target of 80.
- 16 Working with its partners, the Council met its 2006/07 targets to reduce levels of residential burglary, violent crime, robberies and vehicle crime, and the level of these crimes continued to be below target at the end of December 2007. The Council is continuing to improve the amount of waste recycled and is on target to achieve a 30 per cent recycling rate for 2007/08. The Council objective to promote healthier lifestyles and reduce health inequalities is supported by specific health initiatives, such as the GP referral scheme that has increased attendance by 10 per cent over the last year.

- 17 The Council has improved its prevention and management of homelessness. It has put significant investment into this area and has recently been awarded 'Regional Champion' status by the Department for Communities and Local Government (CLG), in recognition of the progress it has made.
- 18 Whilst the Council engages well with local communities, it has not had a clear and cohesive community leadership role. A recent peer review found that the Council had not connected as strongly as might have been expected with the Local Strategic Partnership (LSP) and some area partnerships. However, the Council has begun to consider options for strengthening its community leadership, and a discussion paper has been developed to explore the introduction of area working. It is too early for these actions to demonstrate any real outcomes for local people.
- 19 The Council provides adequate value for money. Generally, services are performing well and costs are around average. Value for money is important to the Council but it sometimes fails to identify and document its progress effectively. However, of particular success is the Anglia Revenue Partnership, developed by Breckland Council and Forest Heath District Council and joined recently by East Cambridgeshire District Council. Savings of £110,000 were made in 2006/07, with predicted savings of £225,000 for 2007/08. The Council adopted a revised value for money strategy in December 2007 and is working on a toolkit to enable managers to benchmark with other authorities in respect of cost, performance and satisfaction levels, but it is too early to determine the impact of this yet.

How much progress is being made to implement improvement plans to sustain improvement?

- 20 The Council is in the process of aligning its plans and strategies. Currently a Sustainable Communities Strategy is being developed alongside the Local Development Framework, beginning with work on a joint evidence base during the Summer of 2007.
- 21 The Council has robust plans for improvement set out in its Annual Delivery Plan. The plan provides a summary of the challenges faced in 2007/08, and an outline of the budget with estimates for the succeeding five years. It also contains the specific targets that the Council intends to achieve against the nine corporate objectives, outlined in the Business Plan, the result is a clear framework for delivering key priorities.
- 22 Clear plans are in place to manage resources effectively. The medium term financial strategy (MTFS) provides a clear picture of how work to achieve the key objectives will be funded over the next six years. The strategy identifies the nine objectives set out in the Business Plan 2004-2010 and highlights the key elements of budget setting and monitoring which will allow the Council to achieve its policy aims.

- 23** The Council's performance management regime continues to be effective. Performance in relation to Business Plan objectives, individual service plans, government and local indicators are subject to quarterly review by the Chief Executive and Leader alongside a review of corporate and service budgets. For example, performance of both invoice payments and removal of abandoned cars was reviewed at a performance clinic, and subsequently referred to the 'hothouse'¹ for further scrutiny; this resulted in improved performance. Portfolio holders meet with the officer top team weekly to discuss performance and progress and with service heads on a monthly basis. A new appraisal system introduced in 2007 will lead to a performance related pay system in April 2008.
- 24** Cultural services have improved. The Council has invested in improving cultural services. It has addressed the four recommendations of the recent inspection of culture services effectively. For example, new strategies for play and young people are now in place, with regular monitoring of action plans. Indicators have been developed for monitoring facilities usage and mystery customer visits have been carried out. Service standards have been introduced across a wide range of services including leisure centres, arts development, sports and community development, which should ensure more consistent services for local people.
- 25** The Council has made some progress in addressing equalities and diversity. It achieved Level 2 of the Local Government Equality Standard during 2006/07. Members and officers have undertaken a range of training in equality and diversity. Equality impact assessments have begun to take place on a priority basis, with the last ones due for completion by 2009/10. However, it is early on in the programme and not yet clear what impact the assessments have had in improving services.
- 26** The Council has made good progress towards meeting the recommendations of the Review of Procurement report, published earlier this year. A number of toolkits and guidance documents have been produced to ensure better strategic management of procurement activities. The Council has reviewed its current levels of delegation and concluded they are both necessary and appropriate, to the Council's innovative approach to business.
- 27** I need an update against recommendation 2 – Recognise that the Council's innovative approach to major procurement exercises increases significantly the level of risk, and consider whether existing governance and risk management arrangement frameworks are fit for purpose in this context. In particular, consider whether current levels of delegation are both necessary and appropriate.

¹ Targeted process for improving specific poor performance

- 28 The Council has sufficient capacity to meet its key priorities. It has emerged from a difficult period during which a number of senior staff were in interim positions and continuity was lost. New chief and deputy chief executives were appointed in 2007 and the Council has recently appointed a Director of Transformation. Project management is being strengthened and a capital working group has been established to monitor projects. The Council continues to use partnerships to increase its capacity to deliver its priorities. For example, it has worked with its streets-scene partner providing both savings of £75,000 per year and improvement in services encouraged by contract payments linked to customer satisfaction levels. The Council's strategic alliance with Capita, signed in October 2006, has identified a wide range of opportunities for future service improvements and financial savings. A number of reviews have taken place, business cases prepared and service specifications revised. A market analysis has been completed which identifies the potential market for services to be sold by the strategic partnership. The Council will now take this work forward, with the strategic partnership continuing to provide the framework for the on-going review of services. The partnership has not yet achieved specific community outcomes to date.
- 29 The Council is facing a key of risk that may prevent it from sustaining a focus on improvement. The Boundary Committee is currently carrying out a review into the possibility of local government re-organisation in Norfolk; this is both proving a distraction for both officers and councillors, but is also requiring the re-direction of corporate capacity.

The audit of the accounts and value for money

- 30** Your appointed auditor has reported separately to members on the issues arising from our 2006/07 audit and has issued:
- an audit report, on 28 September 2007, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate except for the failure to put in place arrangements to manage significant business risks and arrangements for the management of the asset base: and
 - a report on the best value performance plan confirming that the Plan has been audited.

Use of Resources

- 31** The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 32** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	1
Financial management	2
Financial standing	2
Internal control	2
Value for money	2
Overall assessment of the Audit Commission	2

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 33 The overall score of 2 indicates that the Council is performing adequately overall. The key issues arising from the audit, as reflected in the above judgements are set out below.
- 34 The Council produced its annual accounts in accordance with the relevant standards and on time, supported by comprehensive working papers. However, the draft 2006/07 statement of accounts contained a number of material and non-trivial errors which were amended in the final version and audit queries took longer to deal with than in previous years. Also, the Statement of Internal Control did not provide sufficient detail on Internal Audit's findings regarding significant weaknesses.
- 35 Although the Council publishes summary accounts alongside the statutory accounts, further action could be taken to promote external accountability through consulting stakeholders regarding their requirements in respect of producing an annual report.
- 36 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities. However, budget monitoring does not include operational activity indicators, nor is it informed by a risk assessment. Although there has been an assessment of risk when setting the budget, it is not sufficiently detailed to be monitored as part of individual expenditure headings or at portfolio level.
- 37 Further work is required to fully update the asset management plan, assess the level of backlog maintenance and detail the planned action to improve corporate asset use and develop a set of local performance measures to evaluate asset use against corporate objectives.
- 38 The financial standing of the Council is sound and overall spending is maintained within budget with levels for reserves and balances assessed as part of the annual budget process. Although recent improvements have been made to debt management, procedures have yet to be introduced to monitor the effectiveness of recovery actions, associated costs, and the cost of not recovering debt promptly.
- 39 A risk management strategy was adopted during 2007, however work is still ongoing to develop the risk register on the new performance management system and further embedding of the risk management process is required.
- 40 Overall, adequate arrangements are in place to maintain a sound system of internal control. However, payroll internal audit arrangements need to be reviewed and appropriate assurance provided over key controls within the payroll system provided by IIPay. In addition, the framework for mapping the Council's strategic objectives to risks, controls and assurances needs to be further embedded for 2007/08 to support the Annual Governance Statement.

- 41** Appropriate statutory arrangements are in place in relation to ethical governance, with the exception of an interests register for senior officers. The counter fraud and corruption strategy has not been reviewed since 2003, although your officers planned to review and update the strategy during 2007/08. Although the Council participates in the National Fraud Initiative data matching process, creditor reports had yet to be reviewed and investigated at the time of the audit in July 2007.
- 42** Our Direction of Travel assessment, earlier in this letter, has highlighted the strengths and areas for development on the value for money theme.

Data quality arrangements

- 43** The auditor concluded that the Council's overall management arrangements for ensuring data quality are adequate. Data quality is fully integrated into the Council's planning, monitoring and reporting processes and re-enforced through the quarterly performance clinics and hot house process. There is scope to further develop these arrangements and the detailed report, which has been agreed with your officers, includes a number of recommendations for improvement in data quality arrangements.

Looking ahead

- 44 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic, independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of sustainable communities strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 45 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 46 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.
- 47 The coming year will see the Boundary Committee review of local government arrangements in Norfolk and Suffolk, which sets out to make a 'unitary' recommendation to the Secretary of State in December 2008. This means that there is significant potential for change in Norfolk. We will work closely with all councils to both monitor the on-going situation and support them where possible as they go through this difficult period.

Closing remarks

- 48 This letter has been discussed and agreed with the Chief Executive and Head of Finance. A copy of the letter will be presented to the Cabinet on 29 April 2008. Copies need to be provided to all Council members.
- 49 Further detailed findings, conclusions and recommendations on the areas covered by our audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
BVPP Report	December 2006
Strategic Procurement Report	June 2007
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Data Quality Report	January 2008
Annual audit and inspection letter	March 2008 (anticipated)

- 50 The Council has taken a positive and constructive approach to our audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

- 51 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Susan Jewkes
Relationship Manager

March 2008