

# Annual Audit Letter

London Borough of Southwark

Audit 2009/10

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

**Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.**

**As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.**

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# Key messages

**This report summarises my findings from the 2009/10 audit. My audit comprises two elements:**

- **the audit of your financial statements (pages 5 to 7); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 8 to 12).**

**I have included only significant recommendations in this report. The Council has accepted these recommendations.**

## **Audit opinion and financial statements**

**1** I issued unqualified opinions on the Council's financial statements and on the pension fund accounts on 29 September 2010.

**2** I issue an audit certificate when the audit is formally closed and all of the work has been completed. I am delaying the issue of this certificate because there are elector queries relating to the 2009/10 audit year that have not yet been resolved.

**3** The Council's finance team has made significant improvements to the quality of information to support the financial statements. Whilst there were still some large amendments the audit was completed by the deadline of the 30th September. The finance team cooperated well with my team throughout the audit.

**4** In September 2010, I presented Annual Governance Reports to the Audit and Governance Committee on the financial statements and the pension fund accounts. The reports highlighted a number of errors that the Council agreed to adjust within the financial statements.

## **Value for money**

**5** I issued an unqualified value for money conclusion on 29 September 2010. This conclusion is informed by 'relevant criteria' covering specific aspects of councils' arrangements which are specified by the Audit Commission.

**6** I am satisfied that the London Borough of Southwark had proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

## **Current and future challenges**

**7** Following the Comprehensive Spending Review (CSR) in October it is clear that maintaining good governance and strong financial management will continue to be essential for the Council in the future, given the proposals to reduce central government funding. The reduction in income and the forecast increase in demand for services such as social care will pose a challenge for good financial management at all councils.

**8** The London Borough of Southwark currently has good financial management arrangements in place, as demonstrated by the Council being able to freeze council tax levels for the last two financial years. The Council should, however, continue to monitor and update its medium term resource strategy for the future as more detailed information becomes available on the funding settlement.

**9** In 2010/11 the Council will need to prepare its accounts using International Financial Reporting Standards (IFRS) instead of the UK reporting standards. This will result in a number of changes to the presentation of the accounts and additional tasks for the finance team during the transition period. I will continue to work closely with the Council as it prepares for the move to International Financial Reporting Standards (IFRS).

# Financial statements and annual governance statement

**The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.**

**I gave an unqualified opinion on the Council's 2009/10 financial statements on 29 September 2010, within the statutory target date.**

## Overall conclusion from the audit

**10** The Council's finance team has made significant improvements to the quality of information to support the financial statements. Whilst there were still some large amendments the audit was completed by the deadline of the 30 September. The finance team cooperated well with my team throughout the audit.

**11** In my Annual Governance Report I reported the following errors in the financial statements that were adjusted by the Council:

- comparators for the remuneration of senior employees;
- reanalysis of fixed asset balances asset out below:
  - revaluation balance increased by £124.8 million;
  - impairments balance increased by £208.2 million; and
  - past impairment reversals increased by £83.4 million.
- a gain on disposal of fixed assets of £15.7 million, which should have been nil;
- housing revenue account fixed assets balance was understated by £3.38 million;
- understatement of four fixed asset values by £9.8 million;
- the value of capital commitments was increased from £43 million to £171 million;
- the amortisation of government grants deferred was increased by £14.7 million.

## Overall conclusion from the pension fund audit

**12** I gave an unqualified opinion on Pension Fund accounts on 29 September 2010. In my Annual Governance Report I reported the following errors in the pension fund financial statements that were adjusted by the Council:

- The Council had erroneously amended the net asset statement 2008/09 comparators in the 2009/10 financial statements. Management agreed to restore the comparator balances to the original opening values.
- The Council had also misclassified investment assets between categories, for both 2009/10 and the 2008/09 comparators. The more significant amendments for 2009/10 were as follows:
  - Index linked securities amended to £61.6 million (£430.7 million in the draft financial statements);
  - Managed Funds property amended to £7.2 million (£54.6 million in the draft financial statements);
  - Unit Trust Other amended to £157.4 million (£17.8 million in the draft financial statements); and
  - Unit Trust Property amended to £57.9 million (£7.2 million in the draft financial statements).
- The value of investments was understated by £58,000 for overseas equities, compared to the values in the reports we received from the Fund's investment managers.

## Recommendation

**R1** Improve the quality of the financial statements presented for approval by Members to reduce the level of amendments in the financial statements.

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## Whole of Government Accounts

**13** I was able to certify the Council's Whole of Government Accounts (WGA) return on 1 October 2010. A significant number of amendments were reported due to changes between the draft and audited financial statements.

## Significant weaknesses in internal control

**14** While I have not identified any weaknesses in the design or operation of an internal control that might result in a material error in your financial statements. There is one significant internal control issue that I would draw to your attention relating to the Council's accounts payable system. I found weaknesses in the retention of documentation to support the validation checks undertaken when setting up new vendor accounts.

## Recommendation

**R2** Strengthen arrangements for the set up for new vendors and undertake validation checks for existing vendors.

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## Other issues

**15** On 23 November 2010 my predecessor issued her decisions and statement of reasons on objections made by a local government elector to the 2007/08 and 2008/09 financial statements. The objections related to the revenue from the costs awarded to the Council when it made a claim to a Court for council tax arrears. She decided that in relation to the costs there are not currently any items in the accounts which are unlawful. She also decided not to issue a public interest report. She made two recommendations to the Council which I include here.

### Recommendation

**R3** The Council should carry out periodically an appropriate calculation to determine its reasonable costs incurred for the purposes of regulation 34 of the Council Tax (Administration and Enforcement ) Regulations 1992.

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### Recommendation

**R4** The Council should review the reason for the high percentage of Council tax liability orders granted by the Court that are later withdrawn, review procedures for withdrawing council tax liability orders and check that these procedures are being followed.

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# Value for money

**I considered whether the Council is managing and using its money, time and people to deliver value for money.**

**I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (vfm) conclusion.**

## **2009/10 use of resources assessments**

**16** At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on the Comprehensive Area Assessment would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

**17** However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

**18** I report the significant findings from the work I have carried out to support the vfm conclusion.

## **VFM conclusion**

**19** I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

**20** This is a summary of my findings.

Criteria	Adequate arrangements?
<b>Managing finances</b>	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
<b>Governing the business</b>	
Commissioning and procurement	Yes
Use of information	Yes
Good Governance	Yes
Risk management and internal control	Yes
<b>Managing resources</b>	
Strategic asset management	Yes
Workforce	Yes

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

## Managing finances

**22** The Council continues to demonstrate that it manages its finances well, delivering value for money for its residents. For example:

- The Council has strong financial planning processes with business and financial planning integrated and aligned over three years. Budget monitoring is timely and effective.
- The Council has a strategic and systematic understanding of its costs, cost drivers and performance. The Council uses a wide range of mechanisms to drive further improvement. These include service based reviews and service redesign, benchmarking and strategic reviews. Performance monitoring and value for money considerations are integral to the business and financial planning process.
- Good financial reporting supports prompt and efficient in-year budget monitoring. Improvements this year have resulted in the timely completion of the audit of the accounts. The Council uses budget monitoring information to forecast financial variances and takes appropriate action to address variances identified.

## Governing the business

**23** I concluded that the Council successfully governs itself and commissions services that provide value for money and deliver better outcomes for the people of Southwark. Examples include:

- The Council has a clear vision of intended outcomes based on a good understanding of local needs. There is good service user and community involvement in investment decisions, commissioning and delivery of services. The Council's Modernisation Programme has brought improved quality of services and improved efficiency.
- The Council has a framework in place to oversee data quality within the Council. There is a clear data quality policy that underpins the framework. The Council has made significant investment in IT resulting in improvements to data security. Data security processes and procedures meet expected standards.
- Governance arrangements have been strengthened resulting in a stronger ethical culture. The Council has adopted a code of corporate governance and has been awarded a Member Development Charter for its Member training programme. There is transparency of decision making and regular review of constitutional arrangements.
- There are robust risk management arrangements with engagement at member level and strong counter fraud arrangements in place. An effective internal audit function is in place and the Audit and Governance Committee provides appropriate challenge.

## Managing resources

**24** The Council continues to manage its physical assets to meet current and future needs. I found the Council's strategic approach to asset management to be integral to delivery of community priorities as demonstrated by:

- The Council's delivery of an ambitious target to build new affordable homes in the borough. The Council has a good track record of delivering affordable homes and over the past three years has been the fifth highest nationally in providing these.
- The Council established a Housing Investment Board to develop and deliver its new Housing Investment Strategy. The Council invested some £86 million in improving homes and regenerating estates and £43.5m on decent homes/area priorities. We recognise the good progress made in this area but a number of risks remain around the deliverability of this ambitious programme in the current economic climate.
- The Council has made good progress on its Southwark Schools for the Future (SSF) programme.
- The Council is a high performer in tackling homelessness, which was reflected in its regional champion status for London for 2009/10 in tackling youth homelessness. The Council has top quartile performance in homelessness prevention and was appointed an Enhanced Housing Options Trailblazer, one of only 12 authorities nationally.

**25** This year for the first time, I also reviewed how the Council manages its workforce to meet current and future needs and deliver value for money. I found that:

- The Council has an up to date workforce strategy that is aligned to its corporate plan and service priorities. A leadership academy has been established to strengthen the leadership capacity of the Council.
- The Council has developed a number of initiatives to improve skills including developing an apprenticeship scheme, offering national vocational qualifications to staff and opportunities for placements within industry.
- The Council undertakes skills audits and uses innovative methods to address recruitment. The Council identified skill shortages with planners and social workers. The Council was able to reduce agency expenditure by 30 per cent for planners through a targeted recruitment exercise. The Council recruited social workers from abroad to increase capacity in this area.

## **Risk-based performance reviews**

**26** To support my review of the criteria I undertook the following studies.

- review of personalised budgets; and
- a review of Partnership Governance.

**27** I have reported my detailed findings to the Council in separate reports.

### **Review of personalised budgets**

**28** Personal budgets allow those in receipt of an adult social care support plan, or their carers, to decide how best to spend their own personal budget. They bring flexibility, choice and control. The aim of the audit was to assess the progress the Council is making in delivering value for money through personalised budgets. A key strand of this was to review processes to support personalisation. The audit also assessed how effectively the Council is working with partners to deliver improved outcomes for people who need support through a whole systems approach that leads to better use of resources.

**29** The key messages from the report were:

- The Council has undertaken work on forecasting demand. Predicting demand from older people and people with learning disabilities is more advanced than for people with physical disabilities although the Council recognises it is more difficult to predict demand from this group of service users.
- The Council is using the personalisation agenda to undertake an ambitious transformation programme.
- The Council is still at a relatively early stage in identifying how it will shift spending from intensive to preventative services. The Council's draft strategy provides a useful context for spending decisions.

- The Council is also at an early stage in identifying how personal budgets and self directed support is delivering better value for money. Officers are checking a pilot group of 20 personal budgets to see whether these are giving value for money or generating savings.
- A significant number of staff leading the work on transformation are temporary or locums particularly in some areas such as aspects of the reablement service. This applies at both senior and operational levels.

**30** The Audit Commission has recently published a national report entitled '*Financial management of personal budgets*'. The report looks at the progress councils are making towards people taking control of their own social care funding. The report shows councils are facing major challenges in getting their financial arrangements right. Some councils are lagging behind and are not on course to meet national plans.

<http://www.audit-commission.gov.uk/nationalstudies/localgov/personalbudgets/Pages/default.aspx>

## Recommendation

**R5** Ensure the knowledge and experience of the transformation programme held by temporary and locum staff is shared with permanent staff.

## Review of Partnership Governance

**31** The review focussed on the governance arrangements for partnerships. A key tool used in the study was a survey to assess the understanding of partners involved in the Southwark Alliance on the clarity of objectives and understanding of decision making. A facilitated workshop will be undertaken to assist the Council and its partners in taking forward some of the key findings from the survey.

## Approach to local value for money work from 2010/11

**32** Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

**33** My work will be based on a reduced number reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

**34** I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

# Current and future challenges

## Financial Health

**35** The wider financial outlook continues to be challenging for the public sector. Local government has to prepare for a significant reduction to its grant income from central government following the Comprehensive Spending Review (CSR) in October 2010.

**36** The government's spending review set out budgets for individual central government departments from 2011/12 to 2014/15. The Council is likely to face cuts in funding of around 26 per cent over the next four years. The full implications for the Council will be known when each government department publishes its business plan setting out its reform plans for the next four years in November 2010, and the Local Government settlement is announced in December 2010.

**37** The impact for the Council will depend on its

- readiness and capacity to manage change and achieve savings; and
- the timing of reductions required.

**38** The Council is well prepared for the consequences of the current economic climate. In response to the recession the Council has for example developed scenarios on how expenditure can be reduced as well as reviewing the provision of statutory and non-statutory services. The Council's main priority for the coming year will be the implementation of its own efficiency plans whilst maintaining services following the cuts outlined in the CSR.

**39** The Council updated its Medium Term Resource Strategy (MTRS) at the start of the year. The Council will need to revise its MTRS to reflect the reduction in future income and impact on service provision.

## General Fund

**40** The Council has a history of managing its budgets well. In 2009/10 the net underspend on the General Fund totalled £3.3 million. The main reasons for this were a £1m claw back of salary budgets, £1.7million of higher returns on investments with the remainder being the result of a number of 'windfall' elements including one off increases in external receipts such as rental income. The Council achieved £18.8 million of savings against its plan of £19 million.

**41** The current budget position in 2010/11 is an adverse variance of around £2.8 million (at September 2010). The key service under pressure continues to be Health and Social Care Services with delays and complexities in delivering service redesign and the savings programme. Management are confident that the actions put in place to address this will deliver the budget on target.

### **Housing Revenue Account (HRA)**

**42** The HRA had an overspend of £4 million against budget in 2009/10. For 2010/11 there is a £4.0 million projected adverse variance at September 2010. There remain underlying spending pressures particularly in relation to the management and maintenance of the housing stock. In addition there are a number of other potential costs, which may result in an overspend at the year end.

#### **Recommendation**

**R6** Maintain focus on financial management and identification of efficiencies.

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### **Capital spend**

**43** A significant area of spend by the Council is on capital. The Council has an asset management strategy in place supported by a capital programme, disposal plan and a housing investment programme.

**44** Capital investment for major projects underway in the Borough includes the Southwark Schools for the Future Programme (investment to refurbish schools). However funding is at risk as capital receipts decline and the funding from the government is reduced. The Council should continue to manage carefully the risks associated with these projects to ensure successful completion.

#### **Recommendation**

**R7** Assess the impact of greater financial pressures on the delivery of capital projects to enable the management of key risks.

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### **International Financial Reporting Standards (IFRS)**

**45** From 2010/11, the Council will be required to produce its financial statements under IFRS. We have discussed progress with officers to inform a national report the Audit Commission will issue later this year.

**46** We assessed the Council as high risk in its arrangements for implementing IFRS. There has been limited progress in developing a comprehensive plan and engaging Members on the changes. The Council has set itself a target of 31 December 2010, for restating its 2009/10 financial statements. This will require considerable input from officers, not just finance staff, at a time when there are a number of other key priorities facing the Council.

**47** Considerable work is required to enable the Council to restate its accounts under IFRS. The Council needs to devote sufficient resources for this work and ensure that progress is reported to, and monitored by, its senior leadership and members. We will continue to provide challenge and monitor progress. The Council would also benefit from using its contacts with other local authorities to share best practice in their approaches in obtaining the information to restate their financial statements.

### Recommendation

- R8** Prepare and implement a timetable for the production of the financial statements under IFRS. The timetable should include:
- Member engagement and training; and
  - Approval of revised accounting policies by Members.
- 

### Service provision

**48** The Council proposes to bring the Revenues and Benefits service back in-house, from April 2011. The Business Rates service moved in June 2010. The Council developed a transition plan for the transfer of the service.

- 49** The key risks faced by the Council include:
- poor service performance during the transition period;
  - complete and accurate transfer of data; and
  - maintaining accuracy and timeliness of billing.

The Council should review the lessons from the early transition of the Business Rates service to ensure a smooth transfer of remaining services.

### Recommendation

- R9** Undertake a post implementation review of the transfer of the Business Rates service to enable smooth transfer of the remainder of services within Revenues and Benefits.
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## The future of the Audit Commission

**50** On 13 August the Secretary of State for Communities and Local Government announced the proposed abolition of the Audit Commission. The proposed abolition will be from 2012/13 at the earliest and is subject to the passage of legislation.

**51** My priority is to ensure that my team and I maintain professional standards and commitment. The Commission's Managing Director of Local Government & Community Safety has written to the Chief Executive to confirm there is no immediate change to the audit arrangements for the Council.

**52** The Audit Commission is in discussion with the Department of Communities and Local Government about the proposed legislation and the details that will need to be worked through. I will keep the Council informed about the future audit programme and any changes to audit arrangements.

## Closing remarks

**53** I have discussed and agreed this letter with the Chief Executive and the Finance Director. I will present this letter at the Audit and Governance Committee on 3 February 2011.

**54** Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Council during the year.

Report	Date issued
Annual Fee Letter	April 2009
Supplementary opinion plan	January 2010
Annual Governance Report	September 2010
Opinion and Value for Money conclusion	September 2010
Review of Personalised budgets	October 2010
Partnership Governance survey	October 2010
Final Accounts Memorandum	October 2010
Annual Audit Letter	November 2010

**55** The Council has taken a positive and helpful approach to our audit. I wish to thank the London Borough of Southwark staff for their support and cooperation during the audit.

Susan M Exton  
District Auditor  
November 2010

## Appendix 1 – Audit fees

	Actual £	Proposed £	Variance £
Financial statements and annual governance statement	398,000	398,000	nil
Value for money	159,000	159,000	nil
Total audit fees	557,000	557,000	nil
Pension Fund audit*	35,000	38,500	-3500
Non-audit fees	48,000	0	48,000
Total	640,000	595,500	44,500

\* the pension fund audit fee was reduced by the Audit Commission following a review of pension fund audit fees.

## Appendix 2 – Glossary

### **Annual governance statement**

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

### **Audit opinion**

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

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

### **Financial statements**

The annual accounts and accompanying notes.

### **Qualified**

The auditor has some reservations or concerns.

### **Unqualified**

The auditor does not have any reservations.

### **Value for money conclusion**

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

## Appendix 1 Action Plan

### Recommendations

#### Recommendation 1

Improve the quality of the financial statements presented for approval by Members to reduce the level of amendments on the financial statements.

<b>Responsibility</b>	Chief Accountant
<b>Priority</b>	3
<b>Date</b>	June 2011
<b>Comments</b>	The Council will continue to work on improving the quality of the draft accounts presented to the Audit and Governance Committee. In particular, the fixed asset issues raised are the culmination of an improvement programme put in place in response to problems raised in previous years, and should not present material problems in future. The Pension Fund reporting issues will be resolved by the use of the external custodian's reports in producing the Accounts, which are consistent with the needs of reporting in the Accounts, rather than an internal analysis of the fund managers' reports.

#### Recommendation 2

Strengthen arrangements for vendor set up for new vendors and undertake validation checks for existing vendors.

<b>Responsibility</b>	Head of Finance Transactional Shared Services
<b>Priority</b>	3
<b>Date</b>	April 2011
<b>Comments</b>	Weaknesses in this area were identified by the PwC internal audit of accounts payable, report issued November 2009. The target date for the implementation of new controls slipped from December 2009 to April 2010. The failures detected in the audit of the accounts fall into periods either before the internal audit report was issued or during the interim before new controls could be brought in. Validation checks on new vendors and on amendments to existing vendors will form part of a follow-up audit by internal audit.

### Recommendation 3

The Council should carry out periodically an appropriate calculation to determine its reasonable costs incurred for the purposes of regulation 34 of the Council tax(Administration and Enforcement ) regulations 1992

<b>Responsibility</b>	Finance Director
<b>Priority</b>	3
<b>Date</b>	March 2011
<b>Comments</b>	The Council has during 2009/10 obtained counsel's opinion as to the methodology to be used to calculate the council's reasonable costs. The council has applied this methodology to determine that the level of costs charged in 2007/08, 2008/09, 2009/10 and 2010/11 are in fact reasonable. As the service is undergoing a fundamental change as a consequence of the back office revenues and benefits service being brought back in house from 1 April 2011, the council will next review the calculation of these costs in 2011 once the establishment of the service in the council has been completed and new management arrangements formalised within the new structure.

### Recommendation 4

The Council should review the reason for the high percentage of Council tax liability orders granted by the Court that are later withdrawn, review procedures for withdrawing council tax liability orders and check that these procedures are being followed

<b>Responsibility</b>	Finance Director
<b>Priority</b>	3
<b>Date</b>	March 2011
<b>Comments</b>	<p>The Council will review the reason for the high number of council tax liability orders being withdrawn with its service provider. The Council will also review the procedures that the service provider has in place in both their front and back offices to cover such withdrawals and seek assurances that such procedures are being followed.</p> <p>Where the review suggests that in fact procedures are not being followed or require to be changed within the service provider's front office, the Council will take appropriate steps with the service provider to ensure that the procedures are re-enforced by the service provider's management team and rolled out onto the floor, including the delivery of any additional training as may be necessary.</p> <p>Further, as the back office service is being brought back in house from 1 April 2011, the Council will have direct ownership and responsibility for the procedures to be followed by its own staff to withdraw liability orders. Consequently, any 'lessons learnt' from the council's review of the procedures adopted by its service provider will inform the procedures to be adopted by the Council.</p>

### Recommendation 5

Ensure the knowledge and experience of the transformation programme held by temporary and locum staff is shared with permanent staff.

<b>Responsibility</b>	Head of Service Development
<b>Priority</b>	3
<b>Date</b>	September 2010 onwards
<b>Comments</b>	Regular briefings established as part of the arrangement for rolling out the new elements of the customer journey programme.

### Recommendation 6

Maintain focus on financial management and identification of efficiencies.

<b>Responsibility</b>	Finance Director
<b>Priority</b>	3
<b>Date</b>	March 2011
<b>Comments</b>	<p>Regular briefings have been established as part of the arrangement for rolling out the new elements of the customer journey programme.</p> <p>There has been a reduction in the number of temporary staff in the programme as work has begun to mainstream the key processes with front-line staff. A set of regular meetings for front-line operational managers has also been set up to embed these principles in operational practice.</p> <p>A review of lessons learned from the personalisation programme is underway, to be completed by March 2011. Key highlights from this will be shared with staff across the organisation as work continues to embed practice and move to the next stage of the transformation programme.</p>

## Recommendation 7

Assess the impact of greater financial pressures on the delivery of capital projects to enable the management of key risks.

<b>Responsibility</b>	Deputy Finance Director
<b>Priority</b>	2
<b>Date</b>	December 2010
<b>Comments</b>	<p>During the course of 2010, the Council has carried out an extensive budget planning process, seeking significant savings over the next three years. This planning process has been adjusted in line with government announcements and the cabinet has been kept advised of the position at all times.</p> <p>Significant consultation exercises have been carried out with the public through the community councils and a range of other stakeholder groups and final budget proposals for the next 2-3 three years will be presented to council assembly as planned in February 2011.</p> <p>The capital programme will be refreshed during 2011 and governance arrangements have been enhanced so that this will receive formal council assembly approval also.</p> <p>In the context of changes to housing subsidy in future years, steps are already under way to align housing revenue account budget processes with those for the general fund. Planning best practice remains constrained by the uncertainty and timing of government announcements.</p>

## Recommendation 8

Prepare and implement a timetable for the production of the financial statements under IFRS. The timetable should include:

- Member engagement and training; and
- Approval of revised accounting policies by Members.

<b>Responsibility</b>	Chief Accountant
<b>Priority</b>	3
<b>Date</b>	October 2010
<b>Comments</b>	<p>An action plan will be shared with the members of the Audit &amp; Governance Committee and the District Auditor after receipt of the opinion on the 2009/10 accounts. The most significant areas of changes are in fixed assets and related transactions such as leases. The improvements made in the fixed assets area for the 2009/10 accounts will continue to be strengthened, to accommodate the changes. The fixed asset register system, Logotech, has been configured by the supplier to be IFRS compliant, and the Borough Valuer has started reviewing valuation methodologies following the issuance of guidance by RICS.</p>

## Recommendation 9

Undertake a post implementation review of the transfer of the Business Rates service to enable smooth transfer of the remainder of services within Revenues and Benefits.

<b>Responsibility</b>	Finance Director
<b>Priority</b>	3
<b>Date</b>	February 2011
<b>Comments</b>	<p>The Council engaged PwC to undertake an independent management review of the transition of the NNDR service during summer 2010. This review is complete and will provide information and evidence to support activities leading up to the transfer of the rest of the service. In addition, time has been set aside within the internal audit plan within 2010/11 to undertake specific work as necessary in advance of service transfer. The District Auditor has also offered to undertake a brief review during December 2010/January 2011 to assist the council in learning the lessons from the transfer of the NNDR function and in ensuring that risks identified have been mitigated in the future arrangements proposed for the transfer of the benefits and council tax service.</p>

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