

**Priory House
Monks Walk
Chicksands
Shefford SG17 5TQ**

Interim Chief Executive
Jaki Salisbury

**TO EACH MEMBER OF THE
AUDIT COMMITTEE**

02 April 2009

Dear Councillor

AUDIT COMMITTEE - Monday 6 April 2009

Further to the Agenda and papers for the above meeting, previously circulated, please find attached the following supplementary report(s).

Agenda Item	Description
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	Minutes
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	To receive and sign the Minutes of the meeting of the Audit Committees of the predecessor authorities as follows:
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| | (i) Bedfordshire County Council – 16 March 2009 |
| | (ii) South Bedfordshire District Council – 19 March 2009 |
| | (iii) Mid Bedfordshire District Council – 23 March 2009 |

9.	Review of Legacy Authority Governance and Inspection Statements
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	Please find attached the Audit Commission's Annual Audit and Inspection letter for SBDC, which was not available at the time the agenda was published.
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11. Additional Meeting Date to be agreed

In order to approve any final amendments to the Annual Governance Statements for the predecessor authorities before signing off the Annual Statement of Accounts of these authorities an additional meeting of the Audit Committee must be convened at the end of June 2009.

Should you have any queries regarding the above please contact Democratic Services on Tel: 01234 228857.

Yours sincerely

Devina Lester
Senior Democratic Services Officer
email: devina.lester@centralbedfordshire.gov.uk



Minutes

Name of Meeting:	Audit Committee
Date of Meeting:	16 March 2009
Present:	Councillors: R Gwynne Jones (Chairman), B Sadler, G Willey and R Younger
Other Members In Attendance:	Councillors: D Lawrence
Others in attendance	Debbie Hanson and Cathy O'Carroll, Audit Manager, Audit Commission

08-09ac50 APOLOGIES

Apologies for absence were submitted on behalf of Councillors Elford and Paul.

08-09ac51 MINUTES

The minutes of the meeting held on 15 December were approved and signed by the Chairman as a correct record.

08-09ac52 DISCLOSURE OF INTERESTS

There were no interests declared by Members'.

08-09ac53 COMMUNICATIONS (IF ANY)

There were no matters of communication.

08-09ac54 ANNUAL AUDIT AND INSPECTION LETTER

Debbie Hanson, District Auditor, presented the draft Annual Audit and Inspection Letter covering the 2007/08 audit and inspection work.

Attention was drawn to the key messages. During 2007/08 the Council continued to demonstrate 3 star overall performance. No direction of travel assessment had been undertaken in 2008 due to the impact of local government reorganisation. However, a review had been undertaken of the Council's performance in the year as demonstrated by performance indicators.

Audit Committee
Date Monday, 16 March 2009

The unitary transition itself and the Council's dedication of capacity to it had impacted on their ability to improve performance. Improvement as measured by performance indicators had been average compared to other County Councils although some had dropped below average. However, improvement had been seen in some of the Council's priority areas.

The 2008 Use of Resources (UoR) assessment again identified a marked improvement, with the overall UoR score increasing from two to three. This reflected improvements in both Financial Reporting and Internal Control theme scores and in particular strong performance in the areas external accountability and risk management. Data quality continued to be consistently above minimum requirements.

The Council had also continued to strengthen arrangements for the production of the annual accounts and an unqualified opinion and value for money conclusion were issued for the 2007/08 accounts.

During 2007/08 weaknesses in the key controls in the payroll system continued. While these were being addressed during 2008/09 Internal Audit also reviewed the new payroll system that came into operation on 1 April 2008. Although the report was still to be finalised it was understood that a limited assurance opinion had been proposed for 2008/09. In response to comments the Director of Resources explained that the issue had not arisen from historic weaknesses, which had been addressed, but from a control weakness arising from the implementation of the new SAP payroll system.

External Audit's work on the County Council's approach to local government reorganisation found many positives in the approach and action being taken to establish the new councils. There was evident commitment from the County Council to achieving successful implementation of re-organisation and ongoing strong public services.

The review of health equalities in Bedfordshire, part of a review of health inequalities across the East of England, found evidence of the willingness and commitment to tackle health inequalities in Bedfordshire. A number of recommendations, which were included in the AAIL, were agreed and will need to be taken forward by Bedford Borough and Central Bedfordshire, with other partners.

The District Auditor concluded by stating that the final Annual Audit and Inspection Letter would shortly be published and needed to be circulated to all members.

The Committee concluded by commending officers for their hard work in turning around the Council's position positively as evidenced by the content of the draft AAIL.

The Committee in receiving the draft Annual Audit and Inspection Letter
RECOMMENDED:

That the final Annual Audit and Inspection Letter 2007/08, now attached at Appendix A to these minutes, be submitted to and received by the County Council.

Cathy O'Carroll, Audit Manager, Audit Commission presented a position statement as at March 2009 on the 2009/09 External Audit Plan. It was noted that the outstanding work on the 2008/09 value for money conclusion, audit of the Council's final accounts and audit work on 2008/09 grant claims would be issued, once completed, to the new unitaries.

RESOLVED:

That the External Audit Plan Progress report for 2008/09 be received.

08-09ac56 ANNUAL STATEMENT OF ACCOUNTS

The Director of Resources introduced the Statement of Accounts for 2008/09 based on the third quarter closedown of the accounts at 31 December 2008.

The figures for the third quarter Statement of Accounts were based on information available as at 31st December 2008. While, therefore, figures may differ from the full year set of accounts when they are published in June 2009 these accounts presented a healthy organisation that is in control of its finances, has appropriate contingencies and reserves in place and has a strong balance sheet.

Attention was drawn to the highlights of the Statement set out in the Explanatory Foreword at page 2 of the accounts. Of specific note were:

- The robust financial management in place with a forecast underspend of £246k, a variation of only 0.1% against the budget requirement. (Since the figures for the third quarter report were produced, the position has continued to be monitored closely, and the forecast outturn is now a £47k overspend. The movement is mostly due to the recent additional pay award.)
- Reserves are at £13.7m which is line with the Budget Strategy agreed by the Council in February 2008. The overall level of earmarked reserves has reduced by £7.2m as existing reserves have been utilised for their intended purpose which is normal practice but new reserves have not been created at this time.
- There is a 'loss' on sale of assets of £69m. This is a technical accounting entry, having no effect on the general fund balances, and reflects the change in status of a number of schools becoming trust/foundation schools and consequently no longer being assets on the County's Balance Sheet.
- There has been little movement on the level of debt – some borrowing was taken in advance of the current financial year and there has been a general slow down in the capital programme and hence the financing required.

Whilst the third quarter close was an extensive exercise building on the one in 2007/08, the financial information was nevertheless incomplete, as it was based on information as at 31 December 2008. Specific attention was drawn to three key areas:

- There has been a significant downturn in the property market. The impact of this as at 31 March 2009 has not yet been assessed and the accounts

prepared at the end of June will doubtless include a significant 'impairment' and hence writing down of the value of fixed assets.

- There will be an offsetting entry to this as the 'additions' to asset values are also unknown at this time. There is always uncertainty as to the exact completion date of capital schemes and the position at 31 March 2009 has not been estimated at this point.
- The FRS17 (pension) adjustments have not been made to the accounts as the necessary information from the actuary is not available at this time.

The production of these accounts had also been used to bring forward actions that will enable the full year Statement of Accounts to be completed more swiftly. The completion of the year-end Statement of Accounts for Bedfordshire County Council is the responsibility of Central Bedfordshire, supported by Bedford Borough.

The Committee agreed that the accounts were a good foundation for the final accounts that will be produced by the end of June 2009. These will, in turn, be a robust basis for the new unitaries to disaggregate assets and balances. The County Council's legacy will, in this regard, be a robust foundation for sound financial control going into 2009/10.

The Committee concluded by paying tribute and appreciation for the hard work of all finance officers involved in the turnaround of the Council's financial position which had led to financial control procedures being embedded throughout the organisation and which had made the production of these three-quarter set of accounts possible and as robust as they are.

As the County Council will cease to exist on 31 March 2009 it was important that the Council have the last opportunity to consider the third quarter Statement of Accounts. It was therefore **RECOMMENDED**:

That the County Council:

- 1. considers the third quarter Statement of Accounts based on figures as at 31st December 2008.**
- 2. notes the robust financial position to be handed over to the successor authorities.**

08-09ac57 ANNUAL GOVERNANCE STATEMENT

The Committee considered a report from the Assistant Director Corporate Governance seeking approval of the Annual Governance Statement which had been prepared following the annual governance review.

The Assistant Director Corporate Governance reported that the Annual Governance Statement had been produced following a review of the effectiveness of the governance framework in place during 2008/09. However, the Statement had been put together prior to the production of the annual statement of accounts and is informed by Internal Audit managed audit assurance work which covers the period up to December 31st 2008. Therefore the Statement may need to be revisited once fundamental systems assurance work has been undertaken for the final quarter of the year.

The Committee was informed that although some governance issues had been identified no action plan has been produced as it was more appropriate for the new unitary authorities to decide what action plan would be most appropriate going forward.

RESOLVED:

That the Annual Governance Statement attached as Appendix A to the submitted report be approved so that the Leader of the Council and the Chief Executive are in a position to sign the Statement and to enable the Statement to be presented to the County Council for approval.

08-09ac58

**CITIZENS SERVICES PARTNERSHIP
OF ACCOUNTS**

STATEMENT

[The Chairman and Committee agreed to take the following item as urgent business on the grounds that the Audit Commission had recently asked the County Council to sign off the accounts of the Citizens Services Partnership and this was the last scheduled meeting of the Audit Committee of this County Council.]

The Committee considered a report of the Director of Resources seeking approval to the draft accounts for the Citizens' Service Partnership (CSP) for 2004/05, 2005/06 and 2006/07 prior to submission to the Audit Commission for inspection.

The Committee noted that the CSP arrangement between Bedfordshire County Council, Mid Bedfordshire District Council and South Bedfordshire District Council effectively ended on 21 July 2006. All residual cash balances had been distributed to the interested parties. The submitted sets of accounts represented the final financial records associated with the entity.

It was anticipated that an opinion would be issued by the Audit Commission before County Council business comes to a close on 31 March 2009. In the unlikely event that the audit requires amendments to the accounts as submitted delegated authority was sought for the Director of Resources in consultation with the Chairman of the Audit Committee to agree any changes required.

The Director of Resources explained that all efforts had been made to ensure the statements of accounts presented fairly the financial position of the CSP. However, due to concerns about the governance arrangements in place at the CSP there were reservations on the completeness and hence accuracy of the statements. For this reason certification of the accounts would be approved and signed off by the Director of Resources and the Chairman of Audit Committee with reservations.

The District Auditor reported that because of concerns with the governance arrangements and as value for money cannot be confirmed it was likely that a disclaimed audit opinion would be issued for the 2004/05, 2005/06 and 2006/07 accounts. For the 2005/06 accounts an adverse conclusion on the use of resources was likely. The Committee confirmed that it would not be presenting letters of representation to the District Auditor.

The Committee was advised that District Audit have to produce the annual governance reports for the accounts before the opinions can be issued and this needed to be done by the end of March 2009. In view of the timescale and as there were no further meetings of the Committee it was agreed that the Chairman

should be given delegated authority to receive the annual governance reports from the Audit Commission.

RESOLVED:

1. That the Statement of Accounts in respect of the Citizens' Service Partnership (CSP) for the 2004/05, 2005/06 and 2006/07 financial years be approved with reservations.
2. That delegated authority be given to the Director of Resources in consultation with the Chairman of the Audit Committee to agree any changes required as a result of the audit of the CSP accounts.
3. That delegated authority be given to the Director of Resources in consultation with the Chairman of the Audit Committee to receive the CSP annual governance reports.

08-09ac59 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED:

That having regard to the confidential nature of the following items the Committee resolved to exclude the press and public from the meeting during their consideration on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

08-09ac60 INTERNAL AUDIT AND RISK MANAGEMENT REPORT PROGRESS

The Committee received a joint report from the Head of Internal Audit and the Head of Risk Management on progress on the status of internal audit and risk management work for 2008/09 and information on significant issues as of January 2009.

The report was the culmination of the work undertaken in 2008/09 as of the end of January 2009, and reported on:

- Progress on the Internal Audit Plan
- Significant issues arising to date
- Progress on Risk Management activities.

RESOLVED:

That the progress report progress on the status of internal audit and risk management work for 2008/09 and information on significant issues as of January 2009 be noted.

08-09ac61 TRACKING OF AUDIT RECOMMENDATIONS

The Committee considered a report from the Director of Resources on the tracking of Audit recommendations.

The report was the final update on the progress of delivering the action plans against the external inspection reports and internal audit reports since the

Committee's last meeting. The report provided an updated progress summary for each directorate and details of outstanding recommendations. Good progress had been made since the last report to complete the recommendations. It was noted that the outstanding recommendations would need to be concluded by the new unitaries.

The Chairman concluded by drawing attention to the positive contribution that the tracking and reporting of Audit recommendations had been to improving the Council's internal control arrangements and in doing so thanked officers for their hard work.

RESOLVED:

That the report setting out the arrangements for the monitoring of audit and inspection reports and details of outstanding recommendations be noted.

08-09ac62 INTERNAL AUDIT REVIEW OF A MIDDLE SCHOOL

Further to minute 08-09ac48 of the meeting held on 15 December 2008 the Committee considered a report by the Director of Resources providing a summary of concerns identified by Internal Audit as a result of an audit undertaken of a middle school during November and December 2007 which identified weaknesses in the school's internal controls, which required further detailed investigation. Also considered was the action plan put in place to address the audit report.

The Headteacher, Chair of Governors and the Schools' consultant bursar were present at the meeting to explain the current position and proposed actions. Members' raised a number of questions on the background to the present situation, progress on the implementation of the action plan put in place to address the audit report and timescales, which were responded to by the representatives of the school.

RESOLVED:

1. That the report of the Director of Resources and responses from the representatives of the school be noted.
2. Noted that a follow-up audit will need to be undertaken by Bedford Borough Council in September 2009 to monitor the agreed actions and to provide assurance that the financial control environment within the school continues to improve.

08-09ac63 INTERNAL AUDIT REVIEW OF AN UPPER SCHOOL

Further to minute 08-09ac48 of the meeting held on 15 December 2008 the Committee considered a report by the Director of Resources providing a summary of concerns identified by Internal Audit in relation to the financial management of an upper school together with an action plan put in place to address the audit report.

The Headteacher was present at the meeting to give an update on the current position and actions that had been put in place to implement the audit recommendations and to answer questions from Members.

RESOLVED:

1. That the report of the Director of Resources and responses from the representatives of the school be noted.
2. Noted that a follow-up audit will need to be undertaken by Bedford Borough Council in September 2009 to monitor the agreed actions and to provide assurance that the financial control environment within the school continues to improve.
3. That the Director or Resources write to the Schools Governors expressing the Committee's concern that that they were not represented at the meeting.

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held at the Community Fire Station Dunstable on Thursday 19 March 2009

Present:

Councillors:

Green (Chairman)
Machin
Snelling

Forde
Murray

In attendance: Kay Storey – Audit Commission
Nigel Smith – Audit Commission

Officers attending: Ms Stevens, Mrs Levinson, Mr Mills and Mrs Hulks

24. MINUTES

RESOLVED to approve the minutes of the meeting of the Committee held on 21 January 2009 as a correct record and to authorise the Chairman to sign them.

25. SPECIFIC DECLARATIONS OF INTEREST

None.

26. ANNUAL AUDIT AND INSPECTION LETTER

Members received the Annual Audit and Inspection Letter (AAIL) which had been prepared by the Audit Commission.

The AAIL did not, on this occasion, set out a Direction of Travel Analysis due to the council reorganisation taking place. This had been agreed nationally.

The document outlined some of the improvements that had been made during the 2008/09 period and acknowledged the time that had needed to be spent by officers on the transition to becoming a unitary authority.

The new authority would be taking forward the work on Health Inequalities and the good initiatives that had been set up.

The Audit Commission stated that retaining the Use of Resources score from the previous year was very positive as this had not been reflected nationally.

Issues that had been highlighted previously had been addressed well.

Members commented that the document made depressing reading. They felt that the report did not reflect the hard work undertaken to deliver "a safer district where there is less crime", (paragraph 23) an area in which the authority could

not have much impact. Likewise, health inequalities were not the responsibility of the authority.

Members were also unable to understand the issue regarding the amount of waste collected (paragraph 21). It was possible that the amount of waste collected might be high compared to other authorities who might incinerate and there needed to be consideration of the environmental impacts of the two methods of disposal.

The Committee considered that the AAIL did not explain the background to some of the issues and that this could make it difficult for residents to recognise the things that had been achieved. Members were advised that this would have been more apparent if the direction of travel had been considered.

Members asked for an explanation of the term “low demand” in respect of homes (paragraph 22). They also questioned the percentage of council tax being collected by the best performing authority as 100%.

The Portfolio Holder for Resources commented that the AAIL in its written form read very differently to that presented by the Audit Commission at the meeting. He asked that the document should be reviewed and that Members’ comments should be incorporated.

The document seemed to highlight two negative issues for every one positive and he thought that the officers must be disheartened by the content. He was also uncomfortable with the comments on benefits. He felt that the result of being in the top 25% for accuracy was more important than the result for collection levels.

Members echoed this and commented that the transformation in the benefits service compared to three years ago was very positive and, even if not currently performing to top levels, it was a vast improvement on the previous situation. It was not a service that could be transformed overnight.

Of the three Performance Indicators that were shown as failed, two were now on target.

RESOLVED that Nigel Smith would review and incorporate the comments in the AAIL. The document would then be emailed to all Members of the Committee and the Portfolio Holder for them to comment. Their comments to be fed back via the Chairman.

27. USE OF RESOURCES

Members received a report, prepared by the Audit Commission, which commented on the Use of Resources and how it focused on having strategic financial management, sound governance and effective financial reporting arrangements. The results from this assessment would be carried forward to Central Bedfordshire.

The scores for Financial Management and Value for Money had remained at three. Financial Standing and Internal Control had improved from two in 2007 to three in 2008. The only score to slip was that for Financial Reporting. This was

due, in some part, to changes in the SORP, particularly in respect of the valuation of the housing stock.

Some concern was expressed by Members regarding only achieving level 2 for Key Line of Enquiry (KLOE) 4.3. It was explained that there was a requirement for more regular review of the Risk Register during the transfer of services and functions to Central Bedfordshire, and for all officers to receive training in ethics

The Portfolio Holder pointed out that some of the reporting criteria had changed and that the Council had retained the same score but at a higher standard.

NOTED the report.

28. RISK REGISTER

Members were advised that there had been no changes to the Risk Register since it was last presented to them. The reason for bringing it to this meeting was so that it could be formally agreed prior to being passed on to Central Bedfordshire.

Members queried whether the risk assessment for ICT3 was adequate and were assured that it was considered so by Rob Wood. Back up arrangements had been put in place, but these were not necessarily as robust as required but that this was to be tolerated. Members queried whether it was acceptable to tolerate this at such a critical time and they were informed that the Risk Register reflected the current situation, but Central Bedfordshire would have a more secure system in place. The Audit Committee at Central Bedfordshire would follow up on this.

It was agreed that C3, which related to the Grove Theatre, was no longer applicable and should be removed from the register.

RESOLVED to approve the SBDC Risk Register and formally hand it over the Central Bedfordshire.

29. INTERNAL AUDIT PROGRESS REPORT

Members received a report that informed them of the progress made by the Internal Audit Service to the end of February 2009. Officers were also able to provide an update of some progress made since that time.

Issues highlighted were as follows:

- The report on Leisure Facilities would be prepared and presented at the close out meeting on 19 March.
- The final report had been issued on the subject of Housing Benefits Provision.
- The final report had been issued on Housing Rents and a Full Assurance rating had been given.
- The final report had been issued on Council Tax.
- The final report was imminent on Housing Day-to-Day repairs.
- The final report was also due on Housing – Service Contracts. This audit had resulted in a Limited Assurance rating due to problems with insufficient evidence of the procurement process.

The Audit Service had completed 90% of the planned audits and had performed well against their performance indicators.

A full report was being prepared for the handover to the Audit Manager and Nick Murley at Central Bedfordshire. This report would include any recommendations made by this Committee.

Members agreed that they wished Central Bedfordshire to look at the methods to be used for taking on consultants.

The Chairman, on behalf of the Committee, thanked officers for their work.

RESOLVED to recommend to Central Bedfordshire that a review should take place of the methods to be used to employ consultants.

30. ANNUAL GOVERNANCE STATEMENT

Members received a report which informed them of the content of the Local Governance Statement and which asked for their approval of the document prior to referring it to Central Bedfordshire for inclusion within the 2008/09 Statement of Accounts for South Beds District Council.

The Annual Governance Statement explains how the council has complied with regulations in relation to the publication of a statement on internal control. It also details any future actions that may be needed to strengthen corporate governance arrangements.

Issues were highlighted as follows:

- | | |
|-----------|--|
| 3.0 f | Engaging with local people and other stakeholders to ensure robust public accountability is reflected in the Sustainable Communities Strategy. |
| Page 8/7 | South Bedfordshire had adopted the Luton Compact as its framework for working with the Third Sector. Central Bedfordshire would honour all existing contractual arrangements that South Bedfordshire had in place. |
| Page 8/11 | Details of the Investors in People re-accreditation and Development Control Charter Mark accreditation are shown here. |
| Page 8/12 | Information on the proposed committees and information on the Skills for Change programme that has been made available to employees. |
| Page 8/16 | Issues that had been previously identified for further work were shown in this part of the report with details of actions/progress to date. |
| Page 8/17 | Issues that would need some work by Central Bedfordshire were identified as: <ul style="list-style-type: none">• Management of the Asset Base• Extension of the arrangements for the provision of standards and ethics training to officers |

Members were advised that the concerns regarding the Asset Base were mainly regarding the valuation of the assets.

Officers advised that this would feature in the Audit Plan for Central Bedfordshire.

RESOLVED to approve the Annual Governance Statement and to agree that it should be referred to Central Bedfordshire for inclusion within the 2008/09 Statement of Accounts for South Bedfordshire District Council.

As this was to be the last meeting of this Committee, the Chairman thanked all of the Members for their work and the officers for their support, in particular Jacky Levinson, Chief Internal Auditor and Gabrielle Stevens, Corporate Service Manager Business Services.

CHAIRMAN

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MID BEDFORDSHIRE DISTRICT COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Shefford SG17 5TQ on Monday, 23 March 2009.

PRESENT

Cllr D J Lawrence (Chairman)
Cllr L Birt (Vice-Chairman)

Cllrs M R Jones
Mrs K D Keen

Cllr M A Smith

Apologies for Absence: Cllrs A R Baines
Mrs A Barker

Substitutes: Cllr A D Brown (In place of Cllr Mrs A Barker)

Officers in Attendance: Mr T Bowser – Audit Manager
Mr B Mew – Interim Financial Services Manager
Mr J Phillipson – Senior Committee Administrator
Mr M Woolsey – Solicitor

Others in Attendance Mr N Smith Audit Commission

A/08/31 **MINUTES**

RESOLVED

that the Minutes of the meeting of the Audit Committee held on 9 December 2008 be confirmed and signed by the Chairman as a correct record.

A/08/32 **MEMBERS' INTERESTS**

(a) **Personal Interests:-**

None.

(b) **Personal and Prejudicial Interests:-**

None.

A/08/33 **PUBLIC PARTICIPATION**

No applications had been received under Procedure Rule No. CM9 to speak during the 15 minute question and statement period at the beginning of the meeting. Furthermore there had been no applications to speak under the Public Participation Scheme on any items included on the Agenda for this meeting.

A/08/34 **ANNUAL AUDIT AND INSPECTION LETTER 2007/08**

The Committee received and considered a presentation by Nigel Smith of the Audit Commission on the Annual Audit and Inspection letter (AAL) for 2007/08. In so doing the Committee noted the External Audit Progress report and 2008 "use of resources" assessment, both of which were pertinent to the AAL and the subject of a report of the Chief Finance Officer.

In presenting the AAL, Nigel Smith referred to the fact that this was the last Annual Audit and Inspection letter to be presented by the Audit Commission to Mid Bedfordshire District Council in advance of the Councils demise as a result of local government reorganisation on 1 April 2009. He thanked Members and officers for their assistance in the production of the letter and reflected on the positive and professional approach of those who had provided assistance in the completion of the audit for the year 2007/08. He acknowledged however that some of the information inevitably was out of date insofar as it referred to a previous years audit. Particular areas which were discussed were as follows:-

1. The Audit Commission in its "use of resources" review had reflected upon the Councils relatively poor performance against a number of key performance indicators in relation to some key services such as housing benefits, which had reduced the score for "delivering good value for money" from 3 to 2. This had also reduced the Councils overall score for use of resources from 3 to 2. It was observed however that performance at level 2 meant that the Council performed adequately in terms of meeting the Audit Commissions minimum standards for delivering value for money and achieving effective use of resources. Despite this review the Council had retained its categorisation as "good" under the comprehensive performance assessment process.
2. Owing to the work being carried out on local government reorganisation the Audit Commission had not produced a direction of travel statement for the year in question.
3. There was a recognition in the letter to the commitment of Member and officer time in the preparations for the establishment of the new Central Bedfordshire Unitary Council. The Audit Commission had however highlighted concerns with regard to performance relative to the priority objective "ensure that the development of the District is in accordance with the Local Plan" and concerns were expressed in the letter with regard to performance in relation to the payment of housing benefits claims.

4. Whilst the Councils score for achieving value for money in its annual use of resources assessment had deteriorated from the previous year, council tax remained at a low level comparatively as had historically been the case.

Members were given the opportunity of asking questions in order to clarify issues raised in the Audit Commissions letter. Nigel Smith indicated his willingness to amend the letter in its final version in respect of concerns expressed in relation to the issue of housing benefit claims. Members reflected on adverse comments contained in the letter and expressed the view to the Audit Commission that due allowance should be given to the Council for the additional work on LGR which had been undertaken during the period of this audit. As a result of these concerns the Audit Commission acknowledged that the timetable for the completion of work on the LGR had been tight and in that context it reflected very positively on the ability of the Council to improve services and therefore would wish to recognise that fact.

RESOLVED

that the external Auditors Annual Audit and Inspection Letter for 2007/08 be noted but that reflecting upon the reduced resources score, the Council reflect upon the extent to which the Council has necessarily committed resources to LGR and recognises that in overall terms it has achieved improvement performance in the delivery of services.

A/08/35

CORPORATE RISK REGISTER

The Committee received and considered the report of the Chief Finance Officer advising that as part of the Council's risk management arrangements it had been agreed that a Corporate Risk Register would be maintained and updated on a quarterly basis. This updated register was presented to the Management Team, who determined whether the "residual" scores were appropriate. Many actions required were agreed and annotated on the register. The updated risk register was published on the Councils website.

Following a decision to report corporate risks with a high residual risk as identified by the Management Team, the Audit Manager was pleased to report that, following the latest review of the Corporate Risk Register (end of December 2008) no risks had been identified that needed highlighting to Members for consideration. Furthermore the report advised of a streamlined approach to the reporting process which had been adopted for the new unitary Council and that officers were of the opinion that little or no benefit would be gained from carrying out the next planned review of the Corporate Risk Register 2008/09, given the impending demise of Mid Bedfordshire District Council. Members were however advised to use the information contained within the Corporate Risk Register report presented throughout the 2008/09 year to help confirm the statements made in the Annual Governance Statement were accurate.

Having regard to the exceptions reporting required in respect of the Corporate Risk Register, the Finance Portfolio Holder questioned the presentation of the report on the current position of Treasury Management and investments position as it appeared in the Agenda for this meeting. He considered the presentation of such a report to convey the impression of corporate risk which in his opinion did not then exist.

RESOLVED

that the Committee notes that the Corporate Risk Register has been reviewed by the Councils Management Team with appropriate arrangements being in place to award "residual" scores.

A/08/36

CORPORATE GOVERNANCE ARRANGEMENTS

The Committee received and considered the report of the Chief Finance Officer advising of an assessment which had been conducted by senior officers of the Councils Governance Arrangements against a CIPFA/SOLACE checklist. The assessment had been reported to and signed off by the Chief Executive who was satisfied that its contents were accurate and the appropriate Governance arrangements were in place. The Committee noted that in accordance with the wishes of the Audit Committee only those Corporate Governance Arrangements that were not being suitably addressed needed to be included in this report for consideration. The Audit Manager was pleased to report that, following the latest and final review of the Corporate Governance Arrangements, none were identified that needed highlighting to Members for consideration.

In relation to ongoing action, the Committee was advised that no further reviews of the Corporate Governance Arrangements for Mid Beds would occur. This was because officers were of the opinion that little or no benefit would be gained from carrying out such an exercise given the impending demise of Mid Bedfordshire District Council at the end of March 2009.

RESOLVED

that the Committee notes conduct of the review of Corporate Governance Arrangements as advised in the report of the Chief Finance Officer and that appropriate Corporate Governance Arrangements for the Council are in place.

A/08/37

ANNUAL GOVERNANCE STATEMENT 2008/09

The Committee received and considered the report of the Chief Finance Officer inviting the Committee to consider whether the information contained within the Annual Governance Statement 2008/09 both actually and accurately reflected the control environment. The Committee was accordingly requested to formally review the content of the “draft” Annual Governance Statement 2008/09 as set out in Appendix “A” to the report. The Committee was reminded of its obligation to satisfy its self that sufficient, relevant and reliable evidence to support the disclosures made in the statement had been obtained. Also the Committee was encouraged to challenge the contents of the draft document where throughout the statements made contradict the respective knowledge and understanding of the control environment. Having complied with these requirements, the Committee was invited to agree the “draft” statement and recommend their inclusion with the financial....????

Upon agreement with the content of the Annual Governance Statement the Committee was invited to recommend that the statement be included in the financial accounts of the authority.

Having considered the key elements of the systems and processes that comprise the authority’s governance arrangements, Members made observations as follows:-

- Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training – this was regarded as an important element to be conveyed to the Central Bedfordshire Authority for implementation.
- Incorporating good governance arrangements in respect of partnerships and other groups working as identified by the Audit Commissions report on the Governance of Partnerships, and reflecting these in the authority’s overall governance arrangements – this was considered as an important issue given the previous experience of partnerships such as Bedfordshire/Luton on line.

In relation to the significant role which would be performed by the Audit Committee in the functioning of the new authority, an observation was made that at the earliest possible opportunity all Members of the Committee should receive training before they undertake their responsibilities as Members of the newly constituted Audit Committee.

RESOLVED

- 1. that the Committee agrees that the contents of the Annual Governance Statement fairly represents the control environment operating at Mid Bedfordshire District Council for 2008/09;**
- 2. that, subject to comments set out in the preamble to this minute, the Audit Committee accepts the Annual Governance Statement for 2008/09 for inclusion with the financial statements of the Authority.**

A/08/38

EFFECTIVENESS OF THE AUDIT COMMITTEE

The Committee received and considered the report of the Chief Finance Officer inviting the Audit Committee to review and comment upon its effectiveness. The report reflected upon the importance of an effective Audit Committee but admitted that it was not easy to determine whether an Audit Committee was effective or not. Members noted the Audit Managers opinion that there were no significant issues highlighted in the assessment checklist and no action plan proposed due to the imminent transition to a unitary authority. However, it was recognised that the checklist would form a useful tool to progress the work of the new Audit Committee post re-organisation.

RESOLVED

that the Committee acknowledge that it has been more effective during 2008/09 than previously and that Appendix 8 of the report of the Chief Finance Officer provides the evidence of the Committees effectiveness.

A/08/39

INTERNAL AUDIT REPORT 2008/09

The Committee received and considered the report of the Audit Manager providing information to support the Annual Governance Statement. In accordance with the accounts and audit regulations, the Audit Manager was required to provide the authority with an annual report which would be included in the Statement of Accounts of the authority. The Audit Manager duly presented his annual report set out in Appendix "A" to his report which contained a summary of the internal audit work undertaken, drawing attention to any issues the Audit Manager judged particularly to the relevant to the Annual Governance Statement. It was noted by the Committee that the Audit Manager was satisfied that all audit work had been performed with proficiency and due professional care. No formal effectiveness review of the Council's processes against the CIPFA code of practice for internal audit in local government had been carried out. However, the Audit Manager was broadly satisfied that internal audit still complied with the latest CIPFA code of practice. Accordingly it was recognised that there were no residual actions arising from the Internal Audit for 2008/09.

In the light of the contents of the report as now submitted, the Committee was invited to note the contents of the Auditors report when considering the content of the Annual Governance Statement.

RESOLVED

that the Audit Committee receives the Internal Audit report for 2008/09, notes its contents and recommends the issue of a press release observing that there were no residual actions arising from the Internal Audit report for 2008/09 which required action by the Council.

A/08/40

TREASURY MANAGEMENT - CURRENT POSITION

The Committee received and considered the report of the Chief Finance Officer providing the Committee with an update on the Councils current Treasury Management and Investments position.

The Finance Portfolio Holder expressed a concern with regard to the justification for the presentation of the report given that there were no recognised risks associated with Treasury Management and Investment Policy and that the Council had only recently re-reviewed its policy. The Interim Financial Officer advised that the report had been presented primarily for information purposes in the light of concerns previously expressed by the Committee. The Committee was also informed that the statement of the Councils Treasury Management Investment Policy would also appear in the Statement of Accounts for the authority.

RESOLVED

that the report of the Chief Finance Officer on the current Treasury Management Investments Position be noted.

A/08/41

CONCLUDING COMMENTS

The Chairman concluded the final Audit Committee meeting of Mid Bedfordshire District Council by thanking all those who had served the Audit Committee and particularly mentioned those officers present who are about to leave the services of the Council.

(Note: The meeting commenced at 6.30 p.m. and concluded at 7.41 p.m.)

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Annual Audit and Inspection Letter

South Bedfordshire District Council

Audit 2007/08

March 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

- 1 This is the last Annual Audit and Inspection letter which will be presented by the Audit Commission to South Bedfordshire District Council in advance of the Council's demise as a result of local government reorganisation on 1 April 2009. On 1 April 2009, Central Bedfordshire unitary authority will formally take over the roles and functions of South Bedfordshire District Council.
- 2 Over the last 12 months, member and officer time has been focused on preparations for the establishment of the new Central Bedfordshire Unitary Council and ensuring service continuity in the transition period. We have reported to the new shadow authorities the findings from our ongoing review of the Council's preparations for the reorganisation. Our review, although focused on identifying potential gaps and areas where additional review would yield benefit, found many positives in the approach and actions being taken to establish the new unitary council. There was evident commitment to achieving successful implementation of re-organisation and strong public service services in Bedfordshire. Despite a very challenging timescale all councils demonstrated clear recognition of the need to maintain good local government services during 2008, whilst also devoting capacity and focus to establishing new and ambitious councils. The key areas for further action were discussed with the shadow authority in October 2008 and are summarised in this letter.
- 3 2007/08 saw improvements in a number of areas of our audit with an unqualified audit opinion and value for money conclusion being issued (the latter had been qualified in 2006/07). The Council also maintained its level 3 score under the use of resources assessment, although there was a reduction in the score for financial reporting. New capital accounting requirements were introduced in 2007/08 for all local authorities. Due to the incorrect netting of revaluation gains and impairment losses on fixed assets a material amendment was required to the accounts. This resulted in the Council's score for the financial reporting element of use of resources reducing to level 2. The annual governance report presented to the Audit Committee in September 2008 made a number of recommendations related to the financial accounts.
- 4 The 2008/09 financial statements, which are due to be audited during the summer of 2009, present a particular risk due to the demise of the Council on 31 March 2009. Officers will be under considerable pressure during the first few months of 2009/10, as new structures and systems become embedded. It is therefore vital that adequate resources are allocated and closedown and quality assurance arrangements are established in time to ensure that working papers are sufficiently robust to support the financial statements and minimise the impact of the audit on officers' time.
- 5 The Council's overall performance continues to improve, with 70 per cent of performance indicators improved in the last year. This is above the district council average of 56.9 to 59.1 per cent. In the last three years, 70 per cent of performance indicators improved; again this is above the average of 54 to 56 per cent for district councils. However, at 28 per cent the number of indicators in the top quartile in 2007/08 is below the national average of 33 per cent for district councils.

- 6 Outcomes are improving in some of the areas that matter most to residents. Improvements are being made in environmental services, particularly in levels of recycling, composting and cleanliness. Housing opportunities are also increasing. There are areas where performance is below expectation and the overall rate of improvement has not reached the average for district councils. For example, some crime levels are reducing but are still comparatively high.
- 7 Overall the Council has a good focus on its vulnerable citizens, but performance in some areas for the most vulnerable, including housing benefits, is weak. Improvements have been made to the speed of processing new housing benefit claims and changing circumstances claims. This improvement was achieved against a background of major changes being introduced with generic working for revenues and benefits staff. However the rate of improvement in the speed of processing claims is slower than other councils and performance is currently amongst the worst 25 per cent of councils.
- 8 Our work on health inequalities across Bedfordshire has been reported to the project leads. Whilst there is a willingness and commitment to tackle health inequalities, the various partners are not necessarily clear about the role they can play in this. The recommendations arising from this work were agreed in May 2008 and will need to be taken forward by Bedford Borough and Central Bedfordshire (in partnership with others).
- 9 Finally, in addition to the audit of the Council's financial statements we undertake certification work for central government departments on returns submitted by the Council. Our report on the Council's housing benefit and council tax benefit return to the Department of Work and Pensions has been delayed. Our approach to the audit of this return has changed this year, as agreed with the Department. We have found a higher level of errors than previously and this has delayed the certification of the return. We have recommended that officers review the issues identified during the audit and determine whether further training for staff is required in order to ensure these issues are resolved for the 2008/09 audit.

Action needed by the Council

- 10 Ensure the issues raised in the 2007/08 annual governance report are addressed for the 2008/09 financial statements.
- 11 Ensure the issues identified from the certification of the housing benefit and council tax benefit return are brought to the attention of the management of the new unitary authority in order that they can be addressed in advance of the audit of the 2008/09 audit.

Purpose, responsibilities and scope

- 12 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 13 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 limited recommendations to assist the Council in meeting its responsibilities due to the fact that the Council will cease to exist from 1 April 2009 as a result of local government reorganisation.
- 14 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).
- 15 Your appointed auditor is 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, the appointed auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (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.
- 16 This letter includes the latest assessment on the Council's performance under the CPA framework, including our review of performance against the Council's priorities and national indicators, 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.
- 17 I have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is South Bedfordshire District Council performing?

18 South Bedfordshire District Council was assessed as Good in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now updating these assessments, 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

What evidence is there of the Council improving outcomes?

19 The Council has made improvements against its priorities which are:

- a safer district where there is less crime and less fear of crime;
- a cleaner more valued district where people have pride in where they live;
- providing more housing opportunities in the district supporting those in need today and planning for the future;
- a more prosperous district where there are greater opportunities for employment;
- a more active district where people have a wider choice in their leisure time; and
- a well managed Council where the customer is at the heart of what we do.

How is South Bedfordshire District Council performing?

- 20 There is evidence of improvement in a number of priority areas including, environmental services and housing. Overall improvement in performance, as measured by performance indicators, is positive, with 70 per cent of Council performance indicators improving in the last year. This is above the national average of 56.9 to 59.1 per cent for district councils. Over the last three years 70 per cent of indicators have also improved, which is again above the average range for all district councils of 54 to 56 per cent. However, at 28 per cent the number of indicators in the top quartile in 2007/08 is below the national average of 33 per cent for district councils.
- 21 The Council continues to improve most of its environmental services. Recycling and composting levels are above average, and further increases are being achieved through providing 100 per cent of households with a kerbside collection of recyclables. Figures for reported incidents of graffiti remain at zero, demonstrating performance amongst the best 25 per cent of councils. 'Pride of Place' events have been held in a number of locations and the 'Handy Van' service continues to carry out mini-action days at specific hotspots. The amount of land littered has reduced in the last year and continues to remain below average. The amount of waste collected per household (including recyclables) is however amongst the worst 25 per cent of councils, although the figure has decreased from 450kg in 2006/07 to 435.5kg in 2007/08. The cost of waste collection per household is also reducing and performance is currently above average.
- 22 The Council is providing 'more housing opportunities in the district'. Performance is amongst the best 25 per cent of councils for the percentage of new homes built on previously developed land, and affordable housing completions or acquisitions per 1,000 dwellings. Improved housing is being provided, with the percentage of local authority homes which were non decent reducing to 7 per cent. The Council also performs above average for affordable dwellings completed/acquired, with an increase from 45 to 155 in 2007/08.
- 23 Limited progress is being made with partners to deliver 'a safer district where there is less crime' and overall performance is mixed. Some crime figures have shown a slight improvement over the previous year: theft of a motor vehicle, theft from a motor vehicle, violence against the person and sexual offences. The number of domestic burglaries has however increased from 12.4 to 16.8 per 1,000 households. The numbers of domestic burglaries, robberies and thefts from a motor vehicle are amongst the worst 25 per cent of councils and performance is below average for the theft of a motor vehicle. Performance is however above average for racial incidents and amongst the top 25 per cent of councils for violence against the person, sexual offences and racial incidents reported to the police. Overall performance is inconsistent and improvements do not reflect national crime reductions.

How is South Bedfordshire District Council performing?

- 24 Progress against some of the Council's other priorities is also mixed. Planning performance is declining, with percentage of applications processed within the target time declining in all three indicators for minor, major and other planning applications. The Council performs amongst the worst 25 per cent of councils for:
- the percentage of council tax collected (the Council's figure is 98.96 per cent and the best performing authorities' figure is 100 per cent);
 - the percentage of NNDR collected (the Council's figure is 98.08 per cent and the best performing authorities' figure is 99.36 per cent), and
 - the percentage of invoices paid by the agreed date or within 30 days (the Council's figure is 94.9 per cent and the best performing authorities' figure is 97 per cent).
- 25 Improvements in the time taken to process new housing benefit claims and the time to process changes of circumstances have been achieved but performance in processing claims in 2007/08 was amongst the worst 25 per cent of councils. Performance is however amongst the best 25 per cent of councils in terms of the accuracy of processing of housing benefit claims.
- 26 Overall the Council has a good focus on its vulnerable citizens, but performance in some areas, including housing benefits, is weak. The Council opened a new Customer Service Centre to serve the population of Leighton Buzzard and Linslade as well as increasing the number of services delivered through its Customer Service Centres. The Council has achieved level two of the Local Government Equality Standard.
- 27 The Council achieved a score of three for the 2007/08 Use of Resources judgement, meaning that it is performing well. Performance in the delivery of value for money was at level 3.

Local government reorganisation

- 28 We carried out a review of the key risks associated with local government reorganisation in Bedfordshire. The main fieldwork, which was undertaken in the summer of 2008, comprised primarily a desk top review of key documents and assessed the risks associated with the implementation arrangements, particularly in relation to:
- transition planning;
 - staffing issues;
 - finance and governance; and
 - information management and technology.

How is South Bedfordshire District Council performing?

- 29 It is important to emphasise that, although our review was focused on identifying potential gaps and areas where additional review would yield benefit, we found **many positives** in the approach and actions being taken to establish the new councils. There was evident commitment to achieving successful implementation of re-organisation and strong public service services in Bedfordshire. Despite a very challenging timescale all councils demonstrated clear recognition of the need to maintain good local government services during 2008, whilst also devoting capacity and focus to establishing new and ambitious councils.
- 30 The key areas for further action that were identified as part of our initial review were discussed with officers in the shadow authority in October 2008 and have subsequently been updated to reflect additional information made available between November 2008 and January 2009. We recognise that the councils involved are on a journey to becoming a new unitary council and that work is continuing to address the areas identified in our review, which are included below for information. We also recognise the impact that the tight timeframes have had on the approach the councils have adopted in a number of areas. Responsibility for addressing these issues sits with the shadow authority and the new Central Bedfordshire Council.
- There were different understandings about the approach to shared services. This contributed to delays in decision making to establish future arrangements for the provision of some services. The criteria for agreeing which services would be shared and which disaggregated did not appear to be systematic.
 - There was a lack of strategic approach to service design.
 - Residents and service users did not appear to be consistently engaged in shaping future service provision. This is an area where the tight timeframe has impacted on the councils' approach and further work will be required post Vesting Day.
 - Arrangements for agreeing and establishing ICT systems and data transfer were not well advanced, thus presenting a risk to future service delivery. This has been recognised as a key risk area and is now being monitored at Executive Director level and consultants have been appointed to determine if the necessary activities and arrangements are in place for Vesting Day and to determine approaches to any risks identified.
 - Compliance with procedures to effectively manage additional capacity secured through external appointments and to ensure value for money was not clearly evidenced.
 - Arrangements for risk and programme management were not comprehensive; risk and issues logs focused on the consequences in respect of the new council but did not highlight the potentially negative impact on residents and vulnerable sectors of the community. The consequential impact of target dates not being met on other milestones were not clearly identified.
 - The impact of delays in disaggregating staff created potential risks to delivery of other elements of the implementation plan.

Health inequalities

- 31 In May 2008 we reported on a review of health inequalities in Bedfordshire. This was part of a review of health inequalities across the East of England. The main findings and recommendations are summarised below.
- 32 We found that there is a willingness and commitment to tackle the issue of Health Inequalities (HI) in Bedfordshire but not all partners are clear about the role they can and should play to contribute to reducing HI. To date, all partners have been involved in the health improvement agenda and undertaken schemes or projects aimed at improving the wider determinants of health. This has resulted in some local successes but lacked a strategic focus across the county, so not all activity has been targeted at the greatest areas of need.
- 33 There is a wealth of data on health Inequalities in Bedfordshire, but this has historically been the preserve of the PCT. Some partners have had difficulty interpreting the data to make sense of health inequalities in their locality. As a result partners have used locally available data to identify local priorities and pursue local targets, which may or may not have contributed to achievement of the PCT's HI targets. While partners have pursued local targets, monitoring mechanisms have not been universally robust and it has therefore proved difficult to measure the impact and cost effectiveness of some local schemes. Our study found a shared willingness amongst partners to build upon current examples of good practice and develop local schemes based upon the Joint Strategic Needs Assessment (JSNA).
- 34 The restructuring of PCTs in Bedfordshire resulted in a loss of leadership on the health inequalities agenda. However, the joint appointment of a Director of Public Health, by the PCT and Bedfordshire County Council has provided the opportunity and the impetus for a reinvigorated approach to the health inequalities agenda. The resolution of Local Government Review in Bedfordshire means that there will be two unitary authorities in Bedfordshire from 2009. Each of the successor bodies and the PCT must be mindful not to lose the recently regained focus and impetus on the HI agenda as restructuring progresses, or there will be an opportunity lost.
- 35 The recommendations agreed in May 2008 which will need to be taken forward by Bedford Borough and Central Bedfordshire (with other partners).
 - Build on the Health Inequalities section in the Bedfordshire Sustainable Community Strategy (2003-2013) as the HI strategy and develop health inequalities strategies and joint action plans covering the new unitary councils.
 - Develop a cohesive model for working together to tackle health inequalities that sets out priority needs; joint strategy; action plan; review and impact assessment.
 - Decide as partners how to make best use of the information and data available, including the JSNA and PCT public health report on health inequalities.

How is South Bedfordshire District Council performing?

- Identify the skills, competencies and capacity required to address health inequalities in Bedfordshire. Acknowledge what capacity is already in place and develop a joint plan to address the gaps.
- Develop an effective framework to monitor progress across the county against strategic HI targets. Review all targets contained in the Countywide Sustainable Community Strategy (2003-2013) and for local initiatives to ensure that they are the right targets and that they are SMART (Specific, Measurable, Achievable, Realistic and Timed).

The audit of the accounts and value for money

- 36** Your appointed auditor has reported separately to the Audit Committee on the issues arising from the 2007/08 audit and has issued:
- her audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 30 September 2008; and
 - her report on the Best Value Performance Plan confirming that the Plan has been audited.
- 37** The value for money conclusion for 2006/07 had been qualified as the Council did not have in place appropriate arrangements to maintain a sound system of internal control due to procedure notes not being in place for all material systems. This issue was successfully addressed in 2007/08 and accordingly an unqualified value for money conclusion was issued.

Use of Resources

- 38** 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 the 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).
- 39** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

The audit of the accounts and value for money

Table 1

Element	2008 Assessment	Previous year's assessment
Financial reporting	2 out of 4	3 out of 4
Financial management	3 out of 4	3 out of 4
Financial standing	3 out of 4	2 out of 4
Internal control	3 out of 4	2 out of 4
Value for money	3 out of 4	3 out of 4
Overall assessment of the Audit Commission	3 out of 4	3 out of 4

Note: 1 = lowest, 4 = highest

The key issues arising from the audit

- 40 The overall assessment for the use of resources was reported to the Council by the Audit Commission on 10 December 2008. The score overall has been maintained with financial standing and internal control increasing to level 3, but financial reporting dropping to level 2.
- 41 A detailed report on use of resources has been issued to officers. The main issues arising from the audit, as reflected in the above judgements, were as follows.
- The Statement of Recommended Practice (SORP) requirements were not met in full and this affected the financial reporting score. There was a material error due to the netting of impairment losses and revaluation gains for council housing and the accounts presented for audit did not include the required disclosures in respect of financial instruments. Working papers, whilst maintaining improvements in some areas, eg mapping of the accounts to the general ledger and analysis of debtors and creditors, were weak in relation to capital.
 - Although overall the financial management score remained the same, there were improvements in medium term financial planning, with clearer links between individual service plans and financial planning to the Council's strategic priorities. Changes to the key line of enquiry in relation to asset management made it more challenging for councils to achieve a level 3. A new criterion was introduced that requires the Council to maintain a record of all of its land and buildings that contains accurate data on its efficiency, effectiveness, asset value and running costs which can be used to support decision making on investment and disinvestment in property. Whilst we were provided with evidence of some records that were maintained, this was not sufficient to meet the requirements of level 3. Going forwards, we would expect Central Bedfordshire to review the properties that will be transferring to it and consider how well these link to its service delivery and strategic priorities.

The audit of the accounts and value for money

- The score for financial standing increased as the Authority has undertaken detailed work to assess the costs and benefits of debt recovery processes.
- The score for internal control has increased from a level 2 in 2006/07. This reflects improvements in procedure notes. We highlighted in this year's assessment the need to ensure all staff receive ethics training and that the risk register is reviewed by Members more frequently than annually. With the move to Central Bedfordshire we would expect there to be an increased focus on risk management and also on ensuring that staff and Members are aware of policies and guidelines in the new authority including ethical matters. NFI data will be returned prior to the Council's demise and procedures need to be in place to ensure that data matches investigated on a timely basis either by South Bedfordshire or by the new unitary authority.
- The Council's overall spending per head of population is low. Overall satisfaction is however also low (third quartile) and just 28 per cent of performance indicators (PIs) are in the best quartile compared with the 33 per cent district council average. Improvements are however being made and 70 per cent of PIs have improved in the last three years compared with a 54 -56 per cent average for district councils. The Council has a good appreciation of the external factors impacting on performance and cost. Costs are generally in line with the level of performance being achieved. Action is taken where unintended high spending occurs (eg void properties) and higher levels of spending are supporting current priorities such as the Grove Theatre project. Adequate steps are taken to manage costs alongside quality: examples include the work undertaken in relation to void properties and the shared IT development with Mid Bedfordshire District Council. The Council has introduced robust procurement practices which are being adopted by neighbouring councils.

Value for money conclusion and data quality

- 42 The audit of the Council's arrangements for data quality, which informed the appointed auditor's value for money conclusion, concluded that arrangements meet minimum requirements and in some cases exceed these. Strengths were identified, in particular in the clear assignment of roles and responsibilities for data quality, the development of clear policies on data quality, and the use of effective systems and processes to ensure the quality of data. Spot check of two housing benefit indicators, which both dealt with the length of time required to process claims, found that these were fairly stated.

Grant claims

- 43 The audit of the housing benefit claim for the Department of Work and Pensions (DWP) should have been completed by 30 November 2008. The approach to the audit of this claim, as agreed with the DWP, changed this year to focus on individual claims and their transaction history throughout the year. The change in approach has meant that for some complex cases, where there have been numerous changes in circumstances, the amount of audit work required has increased. There have been a larger number of queries on cases than would have been expected based on our previous experience and this has resulted in additional samples needing to be checked by the Authority and then in turn spot checked by the audit team. Overpayments, which are a difficult area and which had been a problem in previous years, were incorrect for a number of benefit types and classifications. Errors were also found in assessments for some cases. We have recommended to officers that they should review the areas where errors were found during the testing of the benefits claim and assess whether additional training needs to be provided to benefits assessors.

Looking ahead

- 44 The public service inspectorates have developed 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 area assessment and reporting performance on the new National Indicator Set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 46 Due to the local government reorganisation in Bedfordshire, the Council will not be subject to a use of resources assessment for 2008/09. The first assessment under the new framework will be for the new Central Bedfordshire Unitary authority in 2009/10.
- 47 The first results of our work on CAA for Central Bedfordshire will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspect of each area's Local Area Agreement.

Closing remarks

- 48 This letter has been discussed and agreed with the Chief Executive and the Corporate Services Manager (Business Services). A copy of the letter will be presented at the Audit Committee on 19 March 2009. Copies need to be provided to all Council members.
- 49 Further detailed findings, conclusions and recommendations on the areas covered by 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	June 2007
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	February 2009
Annual audit and inspection letter	March 2009

-
- 50 The Council has taken a positive and constructive approach to 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.

Nigel Smith
Comprehensive Area Assessment Lead

March 2009

The Audit Commission

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

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

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

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