



INFRASTRUCTURE, GOVERNMENT
& HEALTHCARE

Annual External Audit Report

2007-08

**Runnymede Borough
Council**

26 January 2009

AUDIT

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This report is addressed to the Authority and has been prepared for the sole use of Runnymede Borough Council (the Authority). We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled: *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG LLP's work, in the first instance you should contact Neil Thomas, who is the engagement associate partner to the Authority, telephone 0207 311 1379, e mail neil.thomas@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4063, e mail trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission s complaints procedure. Put your complaint in writing to the Complaints Team, Nicholson House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SU or by e mail to: complaints@audit.commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

Section 1

Executive summary

1.1 Scope of this report

This report summarises the work carried out by KPMG LLP (“KPMG”) at Runnymede Borough Council (“the Authority”) in our role as the Authority’s external auditors. Our responsibilities are set out in the Audit Commission’s *Code of Audit Practice* (“the Code”). Under the Code we are required to review and report on three main areas which we have used to structure this report.

- **The Statement of Accounts (section 2):** We are required to audit the Authority’s statutory accounts, including its Annual Governance Statement. The findings from our work were reported previously in our *‘Report to those charged with Governance’*. This section summarises the findings of the audit of the accounts and the Authority’s Whole of Government Accounts (WGA) submission. We have commented by exception on the issues arising from our audit. We have also described some of the ongoing challenges as International Financial Reporting Standards (IFRS) are introduced into local government.
- **Use of Resources (section 3):** We are required to conclude as to whether the Authority has adequate arrangements in place to ensure effective use of its resources. We also issue a scored judgement which gives a more detailed view of performance against criteria in 11 areas determined by the Audit Commission. This assessment will change significantly in 2009, and we have noted this as an area which the Authority will need to focus on.
- **Data Quality (section 4):** Good quality data is essential to both accurate financial reporting and effective performance management. This section considers the Authority’s arrangements that are designed to ensure that its data is of high quality on a continuous basis.

We have included our recommendations relating to Use of Resources and Data Quality within Appendix A.

1.2 Summary of findings

The Statement of Accounts

On 11 September 2008, we issued an unqualified opinion and certificate on the Authority’s 2007-08 accounts. This report incorporated our Use of Resources conclusion, which is described further in section 3.1 of this report. We also issued our certificate, confirming that we have completed all work required for the 2007-08 financial year under our statutory responsibilities. As part of our accounts audit work, we also reviewed the Authority’s WGA submission and concluded that it was consistent with the statutory accounts. This was submitted to the Department for Communities and Local Government within the prescribed timescale.

Use of Resources

Between July and September, we completed our scored judgement on the Authority’s use of resources. We assessed the Authority against Key Lines of Enquiry (KLOEs) specified by the Audit Commission, resulting in a score on a scale between 1 (below minimum requirements) and 4 (performing strongly). The scores were reviewed by both KPMG’s local and national quality control processes and then by the Audit Commission to ensure consistency in scoring with other auditors and authorities. The overall score awarded to the Authority for the 2008 period is a level four. This score is consistent with the prior year and indicates the Authority has strong arrangements to ensure its resources are used in an effective, efficient and economic manner. It also reflects the continued effort of the organisation to demonstrate the robustness of the arrangements that it has in place.

Data Quality

We have assessed management arrangements as scoring a level three which indicates that they are considered to be effective and working well with some scope for enhancement and development. Our assessment identified that the corporate commitment to data quality is actively promoted throughout the organisation, and a comprehensive data quality policy has been produced and implemented by senior management.

1.3 Looking Forward

The Authority faces a number of challenges going forward including the delivery of the budgeted out-turn position in the current financial year and proposed sale of the civic centre site. We have discussed, risk assessed and agreed our audit plan for 2008-09 with the Authority to show how our work will respond to these risks.

Going forward we draw the Authority’s attention to:

- the challenges of implementing new accounting requirements including the 2008 and 2009 SORPs and International Financial Reporting Standards (IFRS); and
- the new Use of Resources assessment to support the Comprehensive Area Assessment (CAA) regime.

1.4 Acknowledgements

We would like to take this opportunity to thank officers and members for their continuing help and co-operation throughout our audit work.

Section 2

The Statement of Accounts

Our *Report to Those Charged with Governance* (ISA 260 report) set out our main findings on the Authority's 2007-08 accounts. In this report, we have summarised the outcome of the audit and provided an update on our ISA260 report, including the submission process for Whole of Government Accounts (WGA).

2.1 Audit of the accounts

Opinion and certificate

On 11 September 2008, we issued an unqualified opinion and certificate on the Authority's 2007-08 accounts. This report incorporated our Use of Resources conclusion, which is described further in section 3.1 of this report.

We also issued our certificate, confirming that we have completed all work required for the 2007-08 financial year under our statutory responsibilities.

Summary of issues arising

We made three performance improvement observations in our ISA260 report that was presented to the Corporate Management Committee. These related to: one instance of non-compliance with the Authority's investment policy; demonstrating timely completion and review of Payroll reconciliations; providing evidence of review of Members' and Officers' declaration forms. None of these recommendations was considered to be high priority in nature.

2.2 Whole of Government Accounts

Whole of Government Accounts (WGA) are "commercial-style" accounts that cover the whole of the public sector and include some 1,300 separate bodies. Each of these bodies is required to submit a consolidation pack. This is based on, but separate from, their statutory accounts.

We submitted the Authority's WGA pack to the Department for Communities and Local Government (CLG) on 1 October 2008. This was in line with the deadline for submission of the audited WGA pack to Department for Communities and Local Government.

2.3 The governance framework

A new requirement introduced in 2007-08 was the requirement to prepare an Annual Governance Statement (AGS) to sit alongside the published financial statements. This superseded the previous requirement to prepare a Statement on Internal Control (SIC).

The SIC document previously considered issues of financial control – such as how the financial systems were managed, the basis of accounts preparation and the wider mechanisms (such as performance management) which helped the Authority to ensure that it achieved its objectives. The requirements in respect of the AGS are broader than the SIC and, in particular, specify that the statement also needs to describe and evaluate governance processes – in other words, the role and effectiveness of members in governing the Authority.

As part of the process to prepare the AGS, authorities therefore need to have explicitly identified the components of their governance framework and to have a mechanism to assess how effective each part of this. The internal audit function is a key component of the Authority's governance framework. Because internal and external auditors are both interested in the effectiveness of the control framework, we seek to avoid duplication by reviewing and relying on the work of internal audit where possible.

In determining whether we are able to rely on internal audit work, we assess whether the service complies with the CIPFA *Code of Practice for Internal Audit*. We concluded that the service complied with the *Code*, and placed reliance on internal audit work where it was relevant to our responsibilities as external auditors.

The Authority should note that our assessment of internal audit is limited to aspects of its work which are relevant to our remit. Moreover, whilst the *Code* sets out basic standards, compliance does not necessarily demonstrate that the audit service is high-performing. The Authority will continue to need an appropriate mechanism in place to assess the effectiveness of its internal audit function to inform the AGS.

2.4 The Authority's financial position

In 2007-08, the Authority reported a deficit for the year of £4.216m, compared to a £2.205m deficit in the previous year. The Authority faces a continuous challenge to deliver future budgets as a result of the pressure to continue to deliver services against a backdrop of increased costs and its inability to increase council tax income above the 5% cap imposed. We note that the Authority is taking steps to rebalance income and expenditure in the medium term (including proposed savings of £3.2m to be delivered over a five-year term), but has budgeted a need to draw £1.284m on reserves in the 2008-09 period (2007-08: Total reserves were £11.479m, with a total general fund reserve of £8.767m as a result of a draw on the general fund of £2.787m in respect of the HRA).

The new Civic Centre represents the largest current capital project undertaken by the Authority. The project was well managed by the Authority, being completed largely within budget and on time. The Authority also demonstrated effective management of its external contractor. Total budgeted costs to complete this project were £16.576m, of which £15.519m were incurred in advance of 31 March 2008. The move into the new building took place in May 2008.

Section 2

The Statement of Accounts

Total expenditure on all capital schemes in 2007-08 was £15.216m, of which £9.517m related to the new Civic Centre. We note that the Authority is yet to confirm the sale of the old Civic Centre due to a deterioration of the property market in the past twelve months. Going forward, the sale of the old Civic Centre will be necessary to sustain the Authority's working capital position and financial forecasts.

2.5 Certification of grant claims and returns

The Authority has a small number of grant claims and returns that require certification. All grant claims and returns have been completed. No significant issues were noted.

2.6 Questions and objections from electors

We have a duty under section eight of the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to our attention in order for it to be brought to the attention of the public. In addition we have a range of other responsibilities under the 1998 Act, including investigating questions or objections on the accounts received from the Authority's electors. We did not receive any questions or objections, or issue a report in the public interest, in respect of 2007-08.

2.7 Looking forward

Over the next few years, local authorities will face a range of challenges to their accounts production processes. The 2008 SORP introduces some amendments to local authority accounting for 2008-09 which will require thorough review.

International Financial Reporting Standards (IFRS) will also have a significant impact. All local authorities will be required to produce IFRS-compliant accounts from 2010-11, so as of 1 April 2009 the Authority will need to have begun this transition with the preparation of an IFRS compliant balance sheet.

Based on our experience of assisting companies and other public sector bodies in the NHS and central government sector with their IFRS conversion, the Authority should aim, by the 31 March 2009, to have:

- established a project team for the IFRS transition process;
- reviewed which standards will have the biggest impact and which will be the most complex;
- completed the information-gathering stage - for example, gathering the information on all leased assets in order to review whether they are finance or operating leases; and
- engaged the external audit team with the process and have discussed the key changes likely as part of the conversion.

Reflecting on the above, the Authority will need to give early consideration to the following issues.

- Review all current leases to determine whether they should be classified as operating or finance leases in accordance with IAS 17. This especially has the potential to present challenges if original documentation for long-standing leases cannot be located.
- Determination of the monetary value of unused employee benefits for all staff at the end of the fiscal year to account for the employee benefits accrual in accordance with IAS 38.
- Confirmation of previous review of all contracts to ensure appropriate disclosure of any embedded derivatives.

Given the breadth of the changes which transition to IFRS will bring, the Authority should engage early with these changes and ensure that sufficient capacity is in place to address each area. Whilst IFRS is being introduced to local government later than in other areas of the public sector, the intervening period must be used wisely if some of the problems experienced by companies in moving to IFRS are to be avoided. We will be working with the Authority to review the approach to IFRS conversion.

Section 3

Use of Resources

3.1 Summary of our assessment

The Use of Resources assessment is based around five Key Lines of Enquiry (KLOEs): Financial Reporting, Financial Management, Financial Standing, Internal Control and Value for Money.

Following KPMG's internal quality control at a local and national level and a consistency check by the Audit Commission, we can confirm that the Authority's final scores for the five individual KLOEs are as follows.

Key line of enquiry (KLOEs)	Score 2007	Score 2008	Direction of travel
1. Financial Reporting	4	4	↔
1.1 The Authority produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	4	4	↔
1.2 The Authority promotes external accountability.	4	4	↔
2. Financial management	4	4	↔
2.1 The Authority's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	4	4	↔
2.2 The Authority manages performance against budgets.	4	4	↔
2.3 The Authority manages its asset base.	4	3	↓
3. Financial Standing	4	4	↔
3.1 The Authority manages its spending within the available resources.	4	4	↔
4. Internal Financial Control	3	3	↔
4.1 The Authority manages its significant business risks.	3	3	↔
4.2 The Authority has arrangements in place to maintain a sound system of internal control.	3	3	↔
4.3 The Authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3	3	↔
5. Value for Money	3	3	↔
5.1 The Authority currently achieves good value for money.	3	3	↔
5.2 The Authority manages and improves value for money.	3	3	↔
Overall score	4	4	↔

Note: The 'direction of travel' assessment represents movements between scores but also movements in the number of sub criteria met by the Authority.

The Authority has continued to ensure its arrangements for the use of its resources are robust and has retained a score of four (performing strongly) following the 2008 assessment.

With the exception of 2.3, in which the Authority's score reduced from '4' to '3', the Authority has sustained the score achieved in the prior year for all individual KLOEs. This represents a considerable achievement given the changes made to the key lines of enquiry (KLOE) in advance of this assessment. As is detailed below, to improve its performance against the criteria in KLOE 2.3, the Authority should seek to ensure performance measures and benchmarking are used regularly and consistently to evaluate how the Authority's asset base contributes to the achievement of corporate services and objectives.

In addition to the scored judgement, we are also required to provide an annual conclusion on the Authority's use of resources. This is based on an auditor judgement as to whether the Authority meets twelve criteria specified by the Audit Commission. This judgement is unqualified where all criteria are considered to be met and qualified if there are areas where the minimum standards are considered not to be fully achieved.

Our 2007-08 use of resources conclusion was based on our auditor judgement, the 2007 Use of Resources Assessment and audit of Data Quality and our review of the Authority's most recent Corporate Assessment and Direction of Travel statement. We provided an unqualified conclusion on the Authority's use of resources on 11 September 2008.

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Use of Resources

3.2 KLOE 1: Financial Reporting

The overall aim of the financial reporting assessment is to assess the effectiveness of the Authority's arrangements for producing and publicising its statutory financial statements. The score from 2006-07 to 2007-08 has remained consistent at a level four.

During our 2007-08 audit the Authority presented the draft accounts and summary accounts of a very high standard, no material adjustments were made during the course of the audit. The working papers provided to the auditors were exemplary in nature. The Authority's accounts are presented in accessible formats and also include an explanation of key financial and technical terms as well as a narrative on current sustainability issues.

3.3 KLOE 2: Financial Management

The overall aim of the financial management assessment is to understand how well the Authority plans and manages its finances, and how effectively financial plans are delivered within agreed budgets.

KLOE 2.1 considers the Authority's Medium-Term Financial Strategy. The overall score for this KLOE is consistent with the prior year at level four. The Authority has a well established financial strategy that has been designed and implemented to ensure the delivery of its strategic objectives. Specific long standing practices noted during the course of our assessment include the budget being linked to the business activity plans, operational indicators that are the lead indicators of spend and the fact that the budget is linked to risk assessments of material revenue and capital income and expenditure streams.

KLOE 2.2. considers how well the Authority manages performance against budgets. Again, the overall score is unchanged from the prior year at a level four. The Authority has an comprehensive budgeting process which has been established for a number of years, operates to an agreed timetable and which is managed through the general ledger.

KLOE 2.3 considers the Authority's arrangements for managing the asset base. The Authority's score for this KLOE has reduced in this period from a level four to a level three. Our assessment confirmed that the Authority's asset management plans and capital strategies are up to date and that appropriate action is being taken with regards to backlog maintenance. Our assessment did however highlight the need for the Authority to ensure that performance measures and benchmarking are used regularly and consistently (on a wider basis than the Economic Development Committee) to evaluate how the Authority's asset base contributes to the achievement of corporate and service objectives, including improvement priorities and sustainability objectives, and that management should seek to set challenging performance targets for future improvement. The inclusion of sustainability objectives and challenging performance targets for future improvement were an addition to the criterion this year. This evaluation of the asset base is particularly important given the significant changes over the past year. **(See Recommendation 1, Appendix A)**

3.4 KLOE 3: Financial Standing

The overall aim of the financial standing assessment is to evaluate the Authority's arrangements for managing its spending within the available resources, including how the Authority ensures that its finances are sustainable. Our assessment concluded that the Authority continues to operate at a level four in this area. Management were able to provide evidence demonstrating that the Authority sets challenging targets for a comprehensive set of financial health indicators, monitors performance on an ongoing basis and has a good track record of delivery.

3.5 KLOE 4: Internal Control

The overall aim of the internal control assessment is to consider the effectiveness of the Authority's governance arrangements (including the internal control framework), how the Authority ensures a high standard of conduct by members and officers, and how it manages risk.

KLOE 4.1 relates to the management of significant business risks. The Authority has achieved a score of level three for this KLOE. Arrangements for managing risks are reviewed on an annual basis, and arrangements are in place to ensure that risks are identified and monitored on an ongoing basis. To achieve level four in respect of this KLOE, the Authority should ensure risk management is thoroughly embedded in all business processes and provide risk training to all staff and members on a regular basis. Management should also broaden the current risk assessment used in Committee reports and capital project appraisal forms to include a sustainability impact appraisal (this is one of the level four criteria). **(See Recommendation 2, Appendix A)**

KLOE 4.2 considers whether arrangements are in place to maintain a sound system of internal control. The Authority has scored a level three overall for this KLOE which is consistent with the prior year. In order for the Authority to increase its score to a level four management needs to obtain assurance on a risk basis in respect of the viability of its significant contractors'/partners' business continuity plans, and ensure the assurance framework is fully embedded within Authority's business processes. **(See Recommendation 3, Appendix A)**

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KLOE 4.3 relates to arrangements to promote probity and propriety in the conduct of the Authority's business. The Authority meets the criteria required for a score of level three for this KLOE. Going forward, the Authority should focus attention to ensure arrangements for receiving and acting upon fraud and corruption concerns received from members of the public are extended beyond the benefits hotline. **(See Recommendation 4, Appendix A)**

3.6 KLOE 5: Value for Money

Our assessment is based upon assessment of the Council's arrangements to secure value for money against guidance provided by the Audit Commission and criteria outlined within the 2008 KLOEs. In addition, our assessment has included reflection of the Council's reported 2007-08 performance indicators considered against a comparator group of its 15 nearest neighbours.

The overall aim of the Value for Money assessment is to evaluate how well the Authority can demonstrate that it achieves value from its expenditure. As such, an important component of the work is the consideration of the information which the Authority has available and uses to inform its decision making. The assessment also takes account of local circumstances provided that the Authority can demonstrate that local factors and priorities have influenced its expenditure decision and reported performance.

In scoring your arrangements for providing value for money we take into account both the Authority's self assessment and value for money and performance profiles provided to us by the Audit Commission. We use these profiles to map expenditure levels in each service area to corresponding Performance Indicators: highest performers demonstrate low expenditure levels whilst achieving high performance outcomes across all service areas. The Authority has received a score of level three for this KLOE which is consistent with the previous period.

From the analysis provided by the Audit Commission and our own local work we determine that:

- Relative to its nearest neighbours (a comparator group defined by the Audit Commission) the Authority has the lowest Band D Authority Tax.
- Costs for main categories of expenditure have remained broadly consistent over the last three years.
- External factors such as changes to government grants, back funding for pension schemes and planning fee charges are well understood by the Council, particularly their impact on Council tax and the need to draw upon reserves.

Recognising this, the Council has implemented a revenue reduction programme of £2.6m, and is working to deliver a consistent level of services with lower expenditure on an annual basis .

The Authority's capital programme reflects its capital priorities. This is enforced by the capital project appraisal forms which requires the link to priorities being made. The Equality Policy and Action Plan which seeks to embed equity of service across all departments is subject to regular management approval and was found to be kept up to date.

Whilst we acknowledge that the Authority has made considerable effort to secure value for money and demonstrate continuous improvement, when we reviewed the Audit Commission benchmarks of the Authority's performance against other similar organisations we identified several factors which prevented us awarding a score of four. The Authority's total expenditure on services was found to be high and within the top quartile of its comparator group (The Council has the 2nd highest of 15 nearest neighbours for £ per head spent on services). Expenditure on both 'Culture' and 'Central Services & Other' was also found to be within the upper median quartile. Whilst making the above observations we acknowledge that this expenditure data does not necessarily take account of different expenditure requirements of each authority. For example, not all authority's incur expenditure on community services or have parishes with leisure related expenditure.

We also considered the Council's performance for a sample of performance indicators and have provided a summary of the Council's performance against a comparator group comprised of its 15 nearest neighbours within Appendix . We identified that the Authority falls in the lowest quartile of comparative organisations for its performance for BV9 Percentage of Council Tax collected and the upper medium quartile for expenditure. The Council's reported collection rate during the 2007-08 period 98.8%, although we do acknowledge that this subsequently increased to 99.8%.

Our assessment also identified four performance indicators for which the Authority falls in the lowest quartile of comparative organisations for performance and the lower medium quartile for expenditure. These were:

- BV82a(i) and BV82b(i) percentage of waste recycled/ composted. We do however note that performance against both indicators has improved since the period of our review
- BV183b: Average length of stay in Hostel accommodation (We note that the Council accommodates very few individuals in hostel accommodation and that performance against this performance indicator reduced in 2007-08 to 24 weeks); and
- BV213: Number of homelessness cases prevented

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3.7 Looking forward

The 2009 Use of Resources assessment will be the first to be performed under the Audit Commission's new methodology. This approach contributes to the Comprehensive Area Assessment (CAA) regime which replaces the current framework of Comprehensive Performance Assessment (CPA).

Under the CAA UOR approach, the five criteria are replaced by three:

- Managing Money;
- Managing the Business; and
- Managing Other Resources.

These are then drawn together to form an overall judgement which is unscored.

The new assessment will present a significant challenge in that the assessment is based on “best fit” against descriptors, rather than simply ticking off arrangements in a set list. This means that demonstrating innovation, as well as accepted best practice, will be increasingly important when seeking the higher scores.

Moreover, level four is made more open to judgement – the Audit Commission has not defined criteria at level four'. This again increases the importance of authorities demonstrating that they follow and actively contribute to leading practice.

We will hold initial discussions with officers to help plan the areas of focus and our subsequent work.

Section 4

Data Quality

4.1 Summary of our assessment

Our review of data quality was performed following Audit Guides specified by the Audit Commission. These divide our work into three phases.

Stage 1: Review of management arrangements.

We consider the Authority's objectives and targets for data quality and the arrangements in place to ensure that they are achieved. This work considers a range of aspects of data quality, including policies, systems and training.

Stage 2: Comparison to other authorities.

This stage involves investigating queries raised by the Audit Commission on the Authority's data based on the Commission's analysis of historical trends and comparison to other authorities. We provide feedback to the Audit Commission on our findings and also notify officers if this validation process identifies any indicators which require amendment.

Stage 3: Data testing.

We test a sample of indicators in detail. The Audit Commission specifies some indicators based on their knowledge of where problems arise and prepares an audit guide for each of these; we perform the tests set out in the audit guide. If we identify a specific risk, we may audit an indicator which is not on this list, in which case we will perform an equivalent level of testing. The number of indicators tested depends on our assessment of management arrangements in Stage 1.

This report focuses on stages 1 and 3 of this methodology. This is the last year in which we will report on data quality in this format. From 2008-09, data quality review will be included within the Authority's Use of Resources assessment.

4.2 Management arrangements

We assessed the Authority's arrangements against the five areas of the data quality KLOEs and summarise our findings in relation to each area below.

Governance arrangements

This section of the management arrangements work reviews leadership over data quality, including how responsibilities for data quality are defined and communicated, the data quality objectives in place, and how standards for data quality are monitored and reviewed.

This area is important because it defines what is expected of staff and how officers and members ensure that this is achieved. The Authority's Directors and the Chief Executive have accountability for data quality. The Chief Executive has ultimate responsibility and also provides the links with external bodies (e.g. DCLG, Audit Commission, IDeA).

Specific responsibilities are assigned to staff members throughout the Authority and form part of the corporate appraisal system for those identified as being responsible for data quality. These Core Requirements of Managers include ensuring the integrity and accuracy of data for which they are responsible. This ensures that data quality is fully integrated into the performance management framework, with clearly defined monitoring, reporting and appropriate recovery strategies in place.

We have seen evidence of a strategic approach to data quality in several key Council documents for example the Strategic Plan and the emerging Sustainable Community Strategy. The Authority has set stretching targets for the next three years to underpin its philosophy of "continuing improvement". We note that the Authority participates in a number of Public Service Agreement themes with other authorities in Surrey and has agreed "stretch" targets with sponsoring Government Departments in return for a Reward Grant at the end of a three year measurement period.

A data quality implementation plan has been constructed to improve data quality within the Authority. Data quality is of increasing importance across both a departmental and organisational level, with regular department team meetings and discussions and senior management meetings on a regular basis.

The Authority has corporate objectives for data quality that are formally defined and are linked to business objectives. These have been agreed and adopted at top management level. These objectives, whilst not always explicitly stated are linked to business objectives and detailed as part of the strategic plan. However, in relation to best practice identified at other organisations, we did identify scope to ensure that data quality is more fully embedded within corporate risk management arrangements and to develop regular assessments of the risks associated with unreliable and inaccurate information. **(See Recommendation 5, Appendix A)**

Section 4

Data Quality

The policy framework for data quality

This area considers the Authority's policies in relation to data quality and how they are implemented.

Policies exist at the service level, addressing the particular circumstances of each area of the Authority and outlining how the service will ensure that the corporate data quality objectives are achieved.

The Authority's data quality policy is supported by a comprehensive and current set of operational procedures and guidance notes that meet user needs and are fit for purpose. There are a number of existing documents that have fashioned the framework in the area (Best Value Strategy, Best Value Performance Plan, Strategic Plan, Continuous Improvement Plan, Corporate Best Value Service Review Guide) which have now been revised and included within the new Sustainable Community Strategy and the committee base service plans. There is also scrutiny by the Local Government Act Member Working Group. The Authority has rigorous systems in place for data collection, signing-off, scrutiny and appropriate reporting mechanisms. This ensures a high level of data quality.

A formal and comprehensive data quality policy (including arrangements for partnership working) was adopted in 2007, and is in place at the operational level which assigns responsibilities across the Authority. This document is available to all staff via the Authority intranet and website, with a published version being made available on an annual basis. Staff are informed of changes in policy arrangements through email/alerts and formal briefings when there are significant changes. Policies and procedures are followed up by staff and applied consistently throughout the organisation.

The Authority's Strategic Plan 2005 – 2010 is available to all staff on the internal intranet, with the annually published Best Value Performance Plan, individual PIs, future targets and quarterly performance figures. These aspects are also covered in the Chief Executive's briefings to all staff.

Going forward the Authority needs to show that data quality procedures and guidance notes are reviewed at least annually, and are updated when needed. The data quality policy implementation plan states that it should be amended annual if necessary, and that this is the responsibility of the CEO and policy officer, we recommend that this process is documented in the future. **(See Recommendation 6, Appendix A)**

Information systems and processes

Fundamental to the reliability of the Authority's information is the robustness of the systems which store the underlying data. This section of the management arrangements review considers the robustness of the systems in place, including management's action in relation to previously identified weaknesses, and consideration of data security and integrity. It also considers the systems for collating indicators and sharing information.

There are appropriate systems in place at the Authority for the collection, recording, analysis and reporting of the data used to monitor performance, and there is training for staff in their use of these systems. The next step for management is to ensure that separate systems from different departments are linked for reporting corporate performance information. Proposals for a Data Store system (developed initially to support the new Planning Local Development Framework) are being rolled out corporately to provide a single and central storage facility for raw data accessible to all departments. This is currently being upgraded and a front end is being developed to allow officers to search and deposit data. This Data Store should be operational in 2010.

There are formal protocols in place for all instances of internal and external data sharing with all partners. The Authority has systematic arrangements for ensuring that key data supplied is fit for purpose as it is the responsibility of the service unit monitoring the contract to verify the data sources. There is however no formal data sharing protocol which specifies the responsibilities of partners to provide data which is 'fit for purpose'.

People and skills

The areas set out above require a range of skills for successful implementation – whether knowledge of information systems or the knowledge of processes in order to ensure that they are appropriately designed to deliver high-quality data. It is, therefore, important for the Authority to consider the skills it needs to deliver its data quality objectives.

The Authority has communicated clearly the responsibilities of staff, where applicable, to achieving data quality, as set out in the data quality policy and within the 'Core Requirements of Management'. Data quality forms part of the appraisal system for managers and others involved in data collection. Arrangements are in place to ensure that staff with data quality responsibilities have the necessary skills. They are named members of staff, nominated by Departmental Directors to the Corporate Policy Officer responsible for collating and assessing BVPI & PI data. Staff have been supported in their responsibility towards capturing quality data through the periodic training sessions, involving external Audit Commission colleagues.

Section 4

Data Quality

Directors of the Authority have the responsibility of the data quality “champions” and data quality issues are discussed during their regular meetings. We have identified that these champions need to strengthen the feedback loops by identifying potential data quality issues through, for example, error reports, and see that they are addressed through front line staff training or briefing. **(See Recommendation 7, Appendix A)**

To ensure best practice, small improvements could be made by the information staff working closely with service level staff to address data recording problems and other data issues, and also with partners to address data sharing problems. Also the Authority needs to demonstrate that it has identified the implications and impact of future developments on data quality staff skills and capacity, and is proactively managing these. **(See Recommendation 8, Appendix A)**

Using data effectively

In order to gain the greatest benefit from the collection of performance data, this information needs to be used in decision-making. There should be evidence to clearly demonstrate consideration of the appropriateness of performance information reported to management and members for decision making purposes.

The performance management arrangements involve collating, analysing, scrutinising and reporting mechanisms involve reviews at Departmental Team meetings, sign-off by Departmental Directors, detailed scrutiny by the Directors’ Management Team and by Members of both Corporate Management Committee and the Service Committees. Members have quarterly reports on all Best Value Performance NIs s and those identified as the 10 Priority Indicators, together with the committee based Service Plan data, so that they can explicitly relate to performance against agreed targets and policy aims.

Data returns are supported by clear documentation and audit trails, there is ongoing review of definitions to ensure that they are correctly applied and data items are consistent with definitions.

Appendices

Appendix A: Summary of recommendations and action plan

This appendix summarises the performance improvements that we have identified relating to the accounts production process while preparing this report. We have given each of our observations a risk rating (as explained below) and agreed with management what action you will need to take.

Priority rating for performance improvement observations raised

Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

	Recommendation title	Recommendation	Priority	Management response	Officer and timescale
Recommendations raised during the Use of Resources assessment					
1	Managing the Asset base (KLOE 2.3)	We recommend that Estates related PIs and benchmarking measures are routinely reported, on a wider basis than to the Economic Development Committee. These should then be used to evaluate how the Authority's asset base contributes to the achievement of corporate and service objectives. This is particularly important given recent significant changes in the Authority's asset portfolio.	Two		
2	Managing Significant Business Risks (KLOE 4.1)	We recommend that the current protocol of including a risk assessment in Committee reports and capital project appraisal forms is broadened to include a sustainability impact appraisal.	Two		
3	System of Internal Control (KLOE 4.2)	The Authority needs to obtain assurance, on a risk basis, of the viability of all its significant contractors'/partners' business continuity plans, and ensure the assurance framework is fully embedded in the Authority's processes.	Two		
4	Probity and propriety in the conduct of the Authority's business (KLOE 4.3)	The Authority should ensure that arrangements for receiving and acting upon fraud and corruption concerns from the public can be demonstrated to extend beyond the current benefits hotline.	Two		
5	Clear data quality objectives and these are formally documented	Management should include data quality the development of the risk register to ensure that risks are appropriately identified and managed	Three		

Appendix A: Summary of recommendations and action plan

	Recommendation title	Recommendation	Priority	Management response	Officer and timescale
Recommendations raised during the Data Quality audit					
6	Organisational Policy for data quality	The Authority needs to review arrangements to demonstrate that data quality procedures and guidance notes are reviewed at least annually and updated when required.	Three		
7	People and Skills	We have identified that the data quality 'champions' need to strengthen the feedback loops by identifying potential data quality issues through, for example, error reports, and confirm that these are addressed through front line staff training or briefing.	Three		
8	Responsibilities of staff for achieving data quality	We recommend that the information team should be working more closely with service level staff to address data recording problems and other data issues, and also with partners to address data sharing problems. We also recommend that the Authority should review arrangements to demonstrate that it has identified the implications and impact of future developments on data quality staff skills and capacity.	Three		

Appendix B: Audit reports issued

This appendix sets out the reports that we issued during the first year of our audit.

Report title	Date issued
Annual Audit and Inspection Plan 2007 08	August 2007
Annual Audit and Inspection Plan 2008 09	September 2008
Interim Report	10 May 2008
Report to those charged with governance	11 September 2008
Auditors' report on 2007-08 accounts (incorporating Use of Resources conclusion)	11 September 2008
Whole of Government Accounts opinion 2007-08	1 October 2008

Appendix C: Performance Indicators – comparison of the Council’s reported performance against 15 neighbouring authorities.

Using data made available to us by the Audit Commission, this appendix sets out a comparison of the Council’s reported performance indicators and expenditure patterns against those of its 15 nearest neighbours.

The data available is presented in tables which have been interpreted as shown in this example.

Expenditure	Upper quartile	Extremely poor	Very poor	Poor	Expected
	Upper Median	Very poor	Poor	Expected	Good
	Lower Median	Poor	Expected	Good	Very good
	Lower quartile	Expected	Good	Very good	Excellent
		Lower quartile	Lower Median	Upper Median	Upper quartile
Performance					

Corporate Health Improvement (£ per head)

Expenditure	Upper quartile				
	Upper Median	BV9 Percentage of Council Tax collected %; (98.8% in 2007-08)			BV10 Percentage of non-domestic rates collected %; BV78a Speed of processing new claim to HB/CTB Calendar, days; BV78b Speed of processing changes of circumstances to HB/CTB Calendar, days; BV79a Accuracy of HB/CTB claims %;
	Lower Median				
	Lower quartile				
		Lower quartile	Lower Median	Upper Median	Upper quartile
Performance					

Local Environment Improvement

Expenditure	Upper quartile				
	Upper Median				
	Lower Median	BV82a(i) + BV82b(i) percentage of waste recycled or composted %; (both have increased in 2007-08; note that residents have indicated they are satisfied with current collection arrangements)	BV89 % of people satisfied with the cleanliness standard in their area;	% appeals decisions allowed	BV90a % of people satisfied with household waste collection; % planning applications decided in target time; number appeals decisions in year; BV166a Environmental health checklist of best practice %;
	Lower quartile				
		Lower quartile	Lower Median	Upper Median	Upper quartile
Performance					

Appendix C: Performance Indicators – comparison of the Council’s reported performance against 15 neighbouring authorities.

Housing

Expenditure	Upper quartile				
	Upper Median				
	Lower Median	BV183b: Average length of stay in Hostel accommodation (reduced in 2007-08 to 24 weeks); BV213: Number of homelessness cases prevented (NB this is an absolute figure)	BV 183 a: Average length of stay in B&B; BV64 Private sector dwellings returned into occupation (NB this is an absolute figure) BV63 Energy Efficiency rating; Tenant satisfaction with R&M services		BV63 Energy Efficiency rating; Tenant satisfaction with R&M services
	Lower quartile				
		Lower quartile	Lower Median	Upper Median	Upper quartile
	Performance				

Culture

Expenditure	Upper quartile				
	Upper Median		BV119b User satisfaction with libraries	BV119e User satisfaction with parks and open spaces; BV119a: user satisfaction with sports and leisure facilities; BV119c: user satisfaction with museums and galleries; BV119d: user satisfaction with theatres and concert halls	
	Lower Median				
	Lower quartile				
		Lower quartile	Lower Median	Upper Median	Upper quartile
	Performance				

Appendix C: Performance Indicators – comparison of the Council’s reported performance against 15 neighbouring authorities.

Sustainable communities and transport developments

Expenditure	Upper quartile				
	Upper Median				
	Lower Median			BV109a: Major planning applications decided within 13 weeks; Percentage planning appeals allowed	BV109b: Minor planning applications decided within 8 weeks; BV109c: Other planning applications decided within 8 weeks
	Lower quartile				
		Lower quartile	Lower Median	Upper Median	Upper quartile
	Performance				