

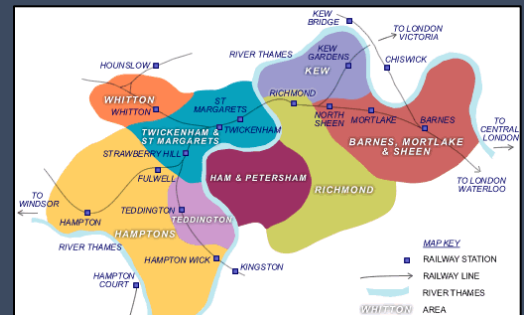


Accountants &
business advisers

London Borough of Richmond upon Thames

Annual Audit Letter 2009/10

December 2010



*Local Public
Services*



Contents

Executive summary	1
Introduction.....	3
Accounts audit.....	5
Use of resources	6
Grants and certification assurance	16
Future developments.....	16

Appendix

Reports issued in relation to the 2009/10 audit

Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

<http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/Pages/codelocalgov.aspx>

<http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/Pages/statementresponsibilities.aspx>

Executive summary

This Annual Audit Letter summarises the key issues arising from the work we have carried out during the year. We have already reported the detailed findings from our audit work to those charged with governance in the reports documented in the Appendix.

Accounts

Financial statements

We issued an unqualified opinion on the Council's financial statements, including the pension fund, on 30 September 2010. However, we have been unable to issue the audit completion certificate for 2009/10 as there remains an on going objection to car parking income included in the accounts.

The draft financial statements submitted for audit were of a good standard and required only minor amendments.

We reported a small number of weaknesses in internal financial controls and processes which are being addressed.

Use of resources

Managing finances

The Council continues to demonstrate that it has good processes for financial planning with clear evidence of resources being allocated to priorities and achieving improvements. It has strong arrangements for use of information to understand costs and uses this effectively to achieve value for money. The Council has identified three-year pipeline savings of £12 million from back office savings and outlined plans for further savings of up to £23 million that it estimates will be needed by 2014/15 to address reductions in Government funding and the aim of keeping Council Tax increases low.

Governing the business

The Council has good arrangements for governing the business and management make good use of information to support decision making. Work is in progress to develop a new performance monitoring framework from April 2011 to provide greater focus on local priorities following the abolition of the Local Area Agreement and the National Indicator dataset.

Performance reports for Quarter 2 2010/11 shows that the Council is generally on track to achieve its objectives although there are some areas of performance below target and is forecast to underachieve against a small number of its National Indicator targets.

Managing resources

The Council has adequate arrangements for managing assets but further work is required to support corporate and strategic asset planning, and greater use of asset efficiency measures should be provided to assess value for money. Workforce planning is well developed is supported by directorate plans which clearly link to the delivery of strategic priorities.

Value for money conclusion

We concluded that the Council has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Grants and certification assurance**Audited
2009/10
returns**

We have completed the audit of five grant claims or certification returns for 2009/10 covering £154 million of grant income or income certification for the Council. Minor amendments were required to the Teachers Pension return and Housing and Council Tax Benefits subsidy claim, although more significant amendments to the Sure Start return for amounts claimed in previous years reduced this claim by £43,000

We were please to note that the quality of the draft Teachers Pension return was greatly improved this year compared to previous years.

Introduction

About the Council



London Borough of Richmond upon Thames is located in south-west London and is the only London borough spanning both sides of the Thames with a river frontage of over 21 miles.

Approximately 187,200 people live in the borough and the population is growing and getting older. Around 12% of residents are from a black and minority ethnic background which is low compared with London. There is a greater proportion of young people aged 0-9 years and a lower proportion of older people aged 65-84, although the number of older people living alone is the highest in London at 44%.

The population is one of the wealthiest in London and many residents enjoy a very high standard of living. The borough ranks 309 out of 354 local authorities in England for deprivation although there are parts of the borough where people live in relative poverty.

Many residents are well-qualified, articulate and have high expectations of public services. Most residents have jobs in finance, IT and other business activities and often work outside the borough. Richmond also has good transport connections to central London and many local people commute out of the borough to work.

Richmond is one of the healthiest places in the country and most residents live longer and suffer from far fewer major diseases than elsewhere. However, there is a significant gap in people's quality of life between the most and the least deprived areas.

Further information on the activities and priorities of the Council can be found in the Community Plan 2007-2017 and the Interim Corporate Plan 2010-2011 which is available on the Council's website at www.richmond.gov.uk.

Purpose of this Letter

The purpose of this Annual Audit Letter is to summarise the key issues arising from the work that we have carried out during the year. Although this is addressed to Members, it is also intended to communicate the significant issues we have identified, in an accessible format, to key external stakeholders, including members of the public. The Letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

Responsibilities of the auditors and the Council

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England.

As the Council's external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Scope of our work

Our main responsibility as the appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:

- the Council's financial statements
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Acknowledgement

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

Accounts audit

We issued an unqualified opinion on the Council's financial statements, including the pension fund, on 30 September 2010.



Financial statements

Our opinion confirms that the financial statements gave a true and fair view of Council's financial affairs as at 31 March 2010 and of its income and expenditure for the year then ended.

The Council has consistently produced good quality financial statements and our suggestions to improve the presentation have generally been accepted and implemented.

We found no errors or misstatements in the accounts that required correction although we reported two issues to be addressed by the Council:

- to take further advice regarding £325,000 of cash held in the Home Loans Unit ring fenced account arising from surpluses on sales of repossessed homes from the 1980s
- to review title deeds for pre-1963 transferred assets and to update the records of legal title where appropriate.

However, we have been unable to issue the audit completion certificate for 2009/10 as there remains an on going objection regarding the legality of certain penalty charge notice car parking income included in the accounts. The High Court of Justice has recently issued its written judgement on a similar objection at another local authority although this is likely to be appealed.

Internal controls

We also reported a small number of weaknesses in internal financial controls and processes including:

- regularly perform checking on BACS transmissions
- appropriate evidence of checking of authorisation of new employees
- ensure that risk assessment review dates for self directed care payments are correct.

We were satisfied that the Annual Governance Statement was not inconsistent or misleading with other information we were aware of from our audit of the financial statements.

Pension fund annual report

We reported that the pension fund annual report met the publication requirements as specified by the Department of Communities and Local Government and that the Governance Compliance Statement complied with the Regulations 2008 and related guidance. We provided our report on the pension fund annual report on 25 November 2010.

Use of resources

The use of resources assessment forms part of the Comprehensive Area Assessment and considers how well organisations are managing and using their resources to deliver value for money and better, sustainable outcomes for local people. The assessment comprises three themes that focus on Managing finances, Governing the business and Managing resources.



In June 2010, the Government announced the abolition of Comprehensive Area Assessment. As a result the Audit Commission announced changes to its use of resources approach, effective immediately, which included removal of the scored judgements for use of resources assessments in local government bodies for 2009/10.

It was still necessary, however, for auditors to complete sufficient use of resources assessment work to support their statutory duty to give a value for money conclusion. In practice, much of the use of resources assessment had already been completed at the time of the announcement, in order to meet the prior deadline of submitting indicative scores to the Audit Commission by 21 April 2010.

Managing finances

The Council continues to demonstrate that it has good processes for financial planning with clear evidence of resources being allocated to priorities and achieving improvements. It has strong arrangements for use of information to understand costs and uses this effectively to achieve value for money.

Financial planning



The Medium Term Financial Strategy (MTFS) brings together the financial impact of corporate and service plans against council tax strategy and available financial resources, assessment of risks, and the efficiency programme.

The 2009/10 MTFS covers a three to five year planning horizon and is regularly updated. This models the impact of corporate priorities, service developments, demand pressures and efficiency requirements over three years and continues to allocate additional resources to priority areas.

Evidence of demand growth and funding of investment for priorities in 2009/10 included £0.75 million for older people and learning difficulties outcomes, £1 million for looked after children and educational attainment, £1 million additional costs for waste disposal levy and higher recycling levels, and £48 million education capital programme to deliver additional primary and secondary school places and school modernisation.

The Council has historically been a low spending authority and has a track record of delivering budgets within tight financial settlements. The revenue outturn for 2009/10 showed an underspend of

£3.5 million mainly arising from not recruiting for vacant posts, better recovery of housing benefit overpayments, lower than budgeted pay awards and savings on treasury management costs.

The total usable revenue reserves increased from £46.3 million to £51 million with the General Fund balance standing at £10.7 million. The fund represents 7.0% of net budgeted expenditure excluding schools and is in line with the minimum 5% level outlined in the MTFS.

The forecast outturn for 2010/11 suggests that the Council will again underspend against budget, with a potential underspend of £1.5 million arising mainly through a recruitment freeze for vacant posts ahead of planned service reviews and savings on treasury management costs. This includes a reduction of £906,000 in Area Based Grant mid-way through 2010/11 met through in-year savings and use of contingency reserves.

The Government announced the results of its Comprehensive Spending Review in October 2010. Local government faces unprecedented cuts with an expected average reduction of 7% per annum in revenue funding from 2011/12 over the next four years and with up to 40% of these being front loaded. There is also likely to be a reduction in capital grants and funding of up to 45% of current levels.

The Council has updated its financial plans to reflect its intention to deliver a zero increase in council tax for 2011/12 and to keep increases to a minimum to 2014/15. It has estimated that this will require savings and efficiencies of £35 million (25% of net expenditure), and includes around £20 million of savings required before any reduction in Government funding and a further £15 million estimated shortfall in Government grants.

The Council has identified three-year pipeline savings of £12 million from back office savings and other efficiencies (see below in understanding costs). Further potential savings of up to £23 million have been outlined by 2014/15 and this is currently part of the challenge programme being developed to look at services provided by the Council and how these are provided (see below in commissioning and procurement).

The Council consults with local residents and other stakeholders and undertakes an annual consultation during the budget process. Budget Consultation in November 2009 included a postal survey of over 1,000 members of Citizens Panel and a workshop attended by 39 residents.

There are effective challenge processes in place from Members when setting budgets and performance targets and service managers, Director and Cabinet Member are held accountable for their service levels and spending plans to the Leadership.

Joint financial planning with partners has improved and Directors of Finance at the PCT and Council meet regularly to review joint financial strategic planning and the organisations now fund a joint Director of Public Health. The Local Strategic Partnership (LSP) has worked on establishing total resource available across the borough to combat recession.

Understanding costs

The Council has good arrangements for use of information to understand costs and uses this effectively to achieve value for money. It has one of the lowest costs per head in London and provides generally high quality services with excellent satisfaction levels.

The remaining areas of higher cost or lower performance are regularly reviewed and the Council has a track record of achieving efficiencies.

Back office costs are lower quartile while performance for benefits speed of processing and council tax collection rates are top quartile. The 2009 Place Survey had three upper-quartile services and no lower-quartile services for the London group. Examples in 2009/10 of using information on costs to improve value for money include funding of adult care reablement to reduce dependence on long term services and to provide improved outcomes for service users.

Comparative information on costs and performance is routinely used to review and challenge performance of services. The performance report to Members includes information on performance levels along with satisfaction and complaints to offer a rounded picture of performance.

The Council has a good track record of exceeding its efficiency savings from an already low cost base and has exceeded its NI179 Efficiency Target in recent years.

As part of the efficiency programme, the Council appointed consultants to review back office processes which has identified potential efficiencies of £10 million that could be achieved through restructuring of administration services and investment in information technology.

A pilot review of the proposed Administrative Hub model has confirmed that savings are achievable and this is likely to be implemented in each directorate. Overall, the efficiency programme is expected remove approximately 200-300 FTE staff posts in coming years.

The Council is also exploring shared service arrangements for back office and support services with other neighbouring local authorities which should generate further efficiencies.

Financial reporting

Financial monitoring reports are produced monthly at service level and corporate level. There are numerous levels of challenge of service level budget performance including finance staff, department management, Executive Team and the relevant Cabinet Member.

Cabinet receives detailed Corporate reports quarterly that are comprehensive and include high level budgets with actual to date, forecasts for the year and variances. Explanations for larger variances are included in the detailed narratives, with actions to address overspends or allocate additional resources for demand led pressures.

Performance and a suite of finance indicators is included as a Dashboard report (combines finance, monthly KPI performance, workforce information, capital plan progress and achievement of efficiency targets – along with graphs) to give a high level and effective overview to Members to identify key issues and performance variances.



The format of the finance reports and Dashboard has been agreed with Cabinet and provides a visual impact of KPIs and performance for prompt intervention where necessary. Pre-cabinet meetings are held to encourage and provide Members with updates of what information is available and their role in challenging and managing performance.

Performance and finance reports have been developed to be shorter and more focused on priority issues based on Members feedback. For instance the performance report changed to include complaints and other user feedback and focus on reporting priority issues and report by exception so Members can focus on areas of need.

The Council has a track record of delivering against budget, with potential overspends being identified early and being more than offset by compensating underspends and savings.

The Council has a track record of producing good quality accounts. The chief accountant is proactive in reviewing other local authority accounts to see where improvements can be made and often takes the lead in initiating discussions with other London councils on how to adopt new standards and changes to financial reporting requirements.

We have had regular meetings to discuss contentious and unusual transactions to ensure that there is an agreed approach before the draft accounts are prepared.

The website includes a link to Financial Publications and all committee reports can be easily accessed. The Council produces an Annual Report with key performance information and summary accounts. The commentary is objective, balanced and provides an understandable assessment of the Council's activities, achievements and financial performance in the year.

Governing the business

The Council has good arrangements for governing the business and management make good use of information to support decision making. Work is in progress to develop a new performance monitoring framework from April 2011 to provide greater focus on local priorities following the abolition of the Local Area Agreement and the National Indicator dataset.

Performance reports for Quarter 2 2010/11 shows that the Council is generally on track to achieve its objectives although there are some areas of performance below target. These include, for example, slippage against some of the social care efficiencies in year (reablement and learning disabilities change programme) and is forecast to underachieve against a number of its National Indicator targets.

Commissioning and procurement



The commissioning strategies of the Council are driven by the Community Plan 2007-2017, which was developed with consideration of the results of the Joint Strategic Needs Analysis (JSNA) and the Strategic Intelligence Assessment.

Following the change in the administration of the Council, the new administration has sought to refresh the Community Plan, and has undertaken a number of residents meetings and is consulting on the priorities for the Council through its *All in One* survey sent to every household. This has also resulted in an Interim Corporate Plan being put in place for 2010/11, which will also be aligned with the new Community Plan once developed.

The Council has gathered intelligence around what partners and stakeholders are choosing to spend their budgets on. Training processes has been strengthened and further members of staff have received specific procurement training. A paper approved by Members in January 2010, detailed proposals to strengthen borough based commissioning of community services. Proposals include developing partnership structures for priority setting, establishing local community groups and joining up borough based commissioning.

Specific examples of service redesign include the introduction of reablement teams to ensure that elderly persons discharged from hospital receive intensive support for a short period to ensure they are able to manage at home in the longer term with no, or a lower level of, support.

In 2009/10, the Council recognised that its procurement strategy needed to be updated to reflect areas of improvement previously identified and to address the efficiency challenge business case objectives. Since then, as part of the challenge programme, the Council has undertake a Zero Based Budget review of the activities that it provides and to look at how it delivers front line services. Along with the consultation on the priorities, this will result in significant changes to the commissioning strategies of the Council.

The implementation programme for these new commissioning strategies is being led by a Member Strategy Panel. It will see the Council potentially withdrawing from directly providing many services where these services could be delivered from other providers at lower costs or with better outcomes. It will place greater emphasis on local priorities and may see the Council ceasing to provide a number of discretionary services to residents where limited funding is needed to support priority or statutory services. Much of this work will be targeted at finding the additional savings of up to £23 million by 2014/15 required in the MTF5.

The Council has provided examples of good use of regional frameworks such OGC, and LCSG for items such as telephones and office furniture. The Head of Procurement also sits on the Management Executive of the London contracts and Supply Group (LCSG) to take advantage of economies of scale.

A spend analysis exercise is used in an annual comparative exercise with other London boroughs through the Regional Improvement and Efficiency Partnership (RIEP) to identify opportunities for aggregating contracts to secure best value and similarly to analyse spend within the Council.

Data quality

There have been some improvements in strengthening the data quality arrangements in 2009/10 although not all issues from previous reviews had been addressed. In 2009/10 Internal Audit's review of the arrangements to secure data quality reported that it was able to offer only '*limited*' assurance. However, a more recent follow up review of progress in September 2010 found that good progress has since been made in documenting arrangements and the new RPM performance management system has assisted with the central collection processes.



Some evidence has been obtained to demonstrate the Council has been working with partners to ensure that data collected is fit for purpose and can be used to inform decision making. Work has been completed in 2009/10 to ensure that risk assessments for all LAA and National indicators have been produced including indicators which are monitored by partners.

Information required by decision makers has been identified and performance management information is produced quarterly which is used to inform officers and Members. Other information used to inform decision making includes the JSNA which is refreshed quarterly to provide up to date information on needs.

Systems are subject to periodic audit, which includes reviews of security and access. The ICT department maintains a register of applications and their appropriate security controls. All mandatory requirements of the Freedom of Information and Data Protection Act are in place and training is received by staff via a mandatory online briefing programme.

Performance monitoring against key performance targets is completed quarterly. This includes reporting on strategic partnerships which are also reported via the LSP and thematic partnership meetings. Local indicators are only reported corporately on an exception basis if they are deemed off target. LAA performance indicators are owned by each of the thematic partnerships and contribute to the overall shaping of the LSP, Community Strategy and strategic planning through the corporate plan.

We reviewed the arrangements for collecting performance information for four indicators in 2009/10:

Initial assessment for children's social care carried out within 7 working days (NI 59):

The arrangements for collecting data were found to be adequate and testing of data for 10 cases up to Quarter 3 of 2009/10 confirmed that information had been correctly recorded.

Satisfaction with home care services (ACS 002):

The electronic data capture arrangements for telephone surveys were found to be adequate although it was not possible to test responses independently as no recording of the telephone calls are made. The Council surveys between 30 and 40 people each month and there are 14 questions, with the final question on the overall satisfaction creating the score input for the indicator. Our testing of a sample of 10 surveys included in the indicator could be agreed to the underlying data.

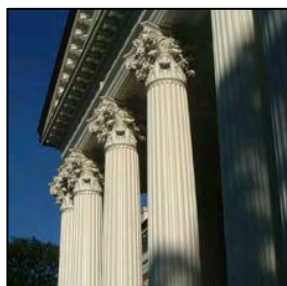
Vulnerable people achieving independent living (NI 141):

Information submitted by care service providers are received quarterly and include information on the number of people using the service that have moved on and the reasons for doing so. These are checked for reasonableness by Council staff and the data used to calculate the performance. A review of 10 moves by vulnerable people were reviewed and each was agreed to the supporting information submitted by the care service provider.

Improved street and environmental cleanliness (NI 195):

Information on cleanliness is provided by an outsourced company undertaking street surveys and from Council staff. The company undertakes up to 900 streets and area reviews during the year and will review for litter, detritus, graffiti and fly-posting. We agreed the reported indicator to the underlying survey results provided by the company up to December 2009.

Good governance



The Constitution sets out the roles of all key officer posts and Members. This document is updated to reflect the changes as appropriate.

Training is provided to members through a training programme with each Member attending an average of five courses per year. However, detailed training Programmes had yet to be established for each Member. Senior officers participate in a range of formal and informal induction activities including half day presentations with presentations from the Leader and Chief Executive on the Council's aims, priorities and values.

Members allowances were reviewed internally during 2008/09 and no issues identified. Following the elections in May 2010 Members allowances were again reviewed and the overall cost reduced. A development programme has also been devised and approved for Members. The aims of the development program is to provide training for newly elected members and refresher courses for re-elected members to ensure they have the relevant knowledge and understanding of what is required of them as Members of the Council.

The Leader of the Council chaired the LSP and is responsible for the development and delivery of the Community Plan. Most thematic partnerships have Member involvement and are responsible and contribute to the overall development of the Community Plan. All thematic partnerships make up the overall LSP but have individual plans and strategies aimed at achieving the overall aims of the 10 year

Community Plan. This has given clear impetus to the LSP and has been successful in driving the achievement of priorities of the Community Plan.

Codes of conduct for Members are well established and publicly available via the Constitution on the Council's website. Expectations of officers and Councillors of the Council are established and well understood. The Standards Committee prepares an annual report to Cabinet which details its work during the year and future ambitions.

Risk management and internal control

A sound corporate risk strategy is in place and linked to the LSP, thematic partnerships and through service planning.



Risk registers are in place for all key partnerships and Internal Audit has been proactive in undertaking a detailed follow up during the year of the Health & Well Being Partnership.

A fraud forum has recently been established to discuss and better inform fraud and risk issues directly with service departments and partnerships in a timely manner. A review of contractual partner arrangements is completed periodically to ensure all key risks are being managed or mitigated. Reviews were undertaken in February 2010 of general partnership risk and specific risk in relation to the Self Directed Support initiative. These reviews looked at the mitigating controls and circumstances in place to reduce risks identified with these areas.

The Anti Fraud and Corruption Strategy and Whistle blowing Policy were reviewed and updated in November 2009 with minor amendments to reflect recent developments. A fraud database has been established to reflect all reactive cases referred to the Council to identify trends and patterns emerging. Internal audit maintains a fraud risk register, which includes a work program of proactive checks which are completed monthly and periodically throughout the year. A National Fraud Initiative review was recently completed and £56,000 of savings identified as a result.

The Audit Committee operates in accordance with CIPFA guidance although the separation of the role for the approval of the financial statements with the Statutory Accounts Committee is unusual.

Low levels of fraud have been consistent across the Council over the past few years and the Council has a clear zero tolerance policy. Internal systems and controls are generally sound and there is a good level of internal audit review and coverage during each year.

An Assurance Framework process is applied to obtain self assessment assurance from Directors and Heads of Service that controls are operating effectively in their areas of responsibility.

Managing resources

The Council has adequate arrangements for managing assets but further work is required to support corporate and strategic asset planning, and greater use of asset efficiency measures should be provided to assess value for money. Workforce planning is well developed and is supported by service plans which clearly link to the delivery of strategic priorities.

Natural resources



Our review of the arrangements to reduce the use of natural resources in 2008/09 found that the Council had strong arrangements for understanding and for reducing the natural resources used in its operations

Audit Commission guidance for 2009/10 for the managing resources theme did not require a refreshed review of this area in 2009/10.

Asset Management

There is a strategic approach to asset management and this is documented within the corporate Asset Management Plan. This was updated in January 2010 and includes comprehensive information on the Council's asset base.



The Asset Management Plan is prepared and monitored through the Asset Management Working Group and approved by Cabinet.

The Council has completed an efficiency review with external consultants and has identified areas of improvement within the asset management business unit. A specific business case is due to be implemented, which includes reductions in staffing and specific business savings, such as the implementation of IT systems to achieve efficiencies. It is envisaged that a revised AMP will be developed to integrate the findings of the business case model.

The Asset Management Plan is clear about identifying several core themes including repairing and improving property (and backlog maintenance), sustaining building project capacity and leading by example with regard to climate change.

Partnership working, whole life costs, energy efficiency and the carbon footprint are fully considered at the planning stage for new developments.

The Council works in partnership with the PCT, local colleges, the Metropolitan Police, the voluntary sector and the mental health trust. An Estates Strategy Committee has been established which focuses on the strategic partnering of key projects across NHS Richmond.

One such project which is being overseen through this committee is the Whitton Lift Project which will provide a new health and social care centre to bring together GPs, social services and dentistry in a modern, fit for purpose building.

The LSP discusses and co-ordinates solutions to local issues and a new infrastructure sub-group of the LSP, Sustainable Richmond, is being used to establish partners' plans and priorities over the forthcoming years.

Workforce

The Council was re-accredited as an Investor in People in 2009 and has in the past three years ensured that staff training and development meets the needs of the organisation.

A training needs analysis in relation to service delivery is completed within each directorate by the Organisational Development Team. The feedback and information collected from this process feeds into the annual Corporate Training Plan.



The Council is leading on a new Leadership Academy for potential 'high flyers' which was launched January 2010 with the neighbouring boroughs of Kingston and Ealing. The process identifies talent pools across the boroughs. The Council's performance management system links community, corporate and service plans to individual objectives together.

The Council established its Workforce Development Plan in 2005 and this has since been updated to reflect the needs and requirements of the Council to maintain effective service delivery. The revised plan was driven by the directorate management teams who identified service delivery challenges and potential workforce issues. The Workforce Development Plan is supplemented by directorate people plans, which focus on specific directorate issues, particularly skill shortages and recruitment issues.

Service plans for 2010/11 also include workforce specific needs which are incorporated into the service planning process. The Council has identified areas of improvement within directorates, an example of this relates to the Children's Directorate that has recently introduced a directorate specific induction programme.

Staff and unions are regularly consulted on organisational change and have been closely involved in the efficiency programme review which will result in restructuring and re-engineering of work across the Council.

The Council has developed a 'Rich Mix' training programme, which is compulsory for staff to attend. The focus is to raise awareness of diversity issues and approximately 1,800 staff have attended. Further training has been provided to managers, which focuses on their responsibilities to diversity and equality.

The Council has been externally assessed as a level 3 of the Equality Standard and was self assessed (with external challenge) as achieving level 4 in March 2010. It has yet to be assessed against the new equality framework but has consulted the guidance issued by the IDeA which confirms that the Council is at the 'achieving' stage. Further work is planned by the Council to complete an Equality Framework assessment.

Value for money conclusion

Taking into account our work on use of resources, we have concluded that adequate arrangements are in place to secure value for money and we provided an unqualified value for money conclusion for the year ended 31 March 2010.

Grants and certification assurance

We have completed the audit of five grant claims or certification returns for 2009/10 covering £154 million of grant income or income certification for the Council. Minor amendments were required to the Teachers Pension return and Housing and Council Tax Benefits subsidy claim, although more significant amendments to the Sure Start return for amounts claimed in previous years reduced this claim by £43,000. We were also required to issue a technical qualification on the Housing and Council Tax Benefits subsidy claim where non-HRA rent rebate expenditure had not been correctly analysed across benefit type although this had no impact on subsidy claimed.

We were pleased to note that the quality of the draft Teachers Pension return was greatly improved this year compared to previous years.

Future developments

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

Given the scale of the pressures facing public bodies in the current economic climate, the Audit Commission has reviewed its work programme for 2010/11 onwards. As part of this exercise, the Audit Commission has been discussing possible options for a new approach to local value for money audit work with key national stakeholders.

From 2010/11, auditors will therefore apply a new, more targeted and better value approach to local value for money audit work. This will be based on a reduced number of reporting criteria specified by the Audit Commission, concentrating on:

- securing financial resilience
- prioritising resources within tighter budgets.

Auditors will determine a local programme of value for money audit work based on risk, informed by these criteria and the statutory responsibilities. There will no longer be annual scored judgements relating to local value for money audit work. Instead auditors will report the results of this work and the key messages for the audited body in the annual governance report to those charged with governance and the Annual Audit Letter.

International Financial Reporting Standards (IFRS)

IFRSs will be adopted in local government from 2010/11 and will require transitional arrangements to be put in place by the Council. Management should prepare for the adoption of IFRSs based on the Treasury timescales and ensure that staff have sufficient knowledge of IFRSs to restate the current financial statements.

The Council has made good progress since the previous Audit Commission IFRS survey in November 2009 and is on track against its project plan to deliver IFRS compliant accounts for 2010/11. The Audit Commission updated its Local Government IFRS preparedness survey in July 2010 and our assessment rated the Council as “green” at that stage. The Council has reviewed its opening IFRS balance sheet at 1 April 2008 and plans to restate the 2009/10 accounts before the end of 2010 once CIPFA had prepared skeleton IFRS financial statements for local authorities.

Abolition of the Audit Commission

On 13 August 2010 the Secretary of State for Communities and Local Government announced plans to disband the Audit Commission. The intention is to have new arrangements in place for auditing England's local public bodies by 2012/13. The Audit Commission's responsibilities for overseeing and delivering local audit and inspections will stop and the audit work will move to the private sector.

The Audit Commission is working with government and other key stakeholders to help design and implement the new arrangements.

The Audit Commission will remain responsible for the 2011/12 audit of local public bodies and expect to close around December 2012. This timetable has yet to be confirmed and depends on the necessary legislation being passed.

Appendix: Reports issued in relation to the 2009/10 audit

Report	Date Issued
Audit Fee Letter	April 2009
Grant Claim Certification for the year ended 31 March 2009	February 2010
Audit plan	June 2010
Annual governance report	September 2010
Annual Audit Letter	December 2010