



INFRASTRUCTURE & GOVERNMENT

# Annual External Audit Report

**2005/06**

**Bromsgrove District  
Council**

December 2006

AUDIT

The contacts at KPMG in connection with this report are:

**Jon Gorrie**  
Director  
KPMG LLP (UK)

Tel: 0121 232 2440  
Fax: 0121 232 3578  
jonathan.gorrie@kpmg.co.uk

**Andrew Cardoza**  
Senior Manager  
KPMG LLP (UK)

Tel: 0121 232 3694  
Fax: 0121 232 3578  
andrew.cardoza@kpmg.co.uk

**Nasir Rafiq**  
Assistant Manager  
KPMG LLP (UK)

Tel: 0121 232 3694  
Fax: 0121 232 3578  
nasir.rafiq@kpmg.co.uk

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any officer or Member 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's work, in the first instance you should contact Jon Gorrie who is the engagement director to the Authority, telephone 0121 232 2440, email jonathan.gorrie@kpmg.co.uk, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 236 4000, email 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 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 0117 975 3131, textphone (minicom) 020 7630 0421.

## Executive summary

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### 1.1 Scope of our work

This report summarises KPMG LLP's external audit work carried out at Bromsgrove District Council (The Authority) for the 2005/06 year. In particular, this report includes our findings in relation to the:

- audit of accounts (section 2) and
- audit of Use of Resources (section 3).

The report also includes:

- a summary of our recommendations on the Authority's management arrangements over data quality from the current year (Appendix A); and
- a follow up of our recommendations from previous years Annual Audit and Inspection Letter and (Appendix B).
- our statutory report on the Best Value Performance Plan (Appendix C); and
- a summary of the audit reports issued during the year (Appendix D).

### 1.2 Summary of findings

#### ***Audit of accounts***

On 29 September 2006, we issued our external audit opinion on the Authority's 2005/06 financial statements. At the same time, we issued our audit certificate, which formally concludes our statutory responsibilities as auditors for 2005/06.

We also reviewed the Authority's 2005/06 Whole of Government Accounts (WGA) submission pack and were able to conclude that it was consistent with the Authority's statutory accounts.

#### ***Audit of data quality***

During May to July 2006, we completed our first review of data quality at the Authority, following a new methodology developed by the Audit Commission. This forms part of our work for the 2006/07 audit year.

We reviewed the management arrangements over data quality that the Authority has in place and have given the Authority a score of 1 out of 4, meaning that we consider the arrangements to be inadequate.

#### ***Best Value Performance Plan***

We were also required to report on The Authority's Best Value Performance Plan 'BVPP' (better known as 'Council Results 2005/06') as to whether or not The Authority has complied with legislation and statutory guidance in respect of the preparation and publication of the BVPP.

Following our review, we consider that the Authority's BVPP is consistent with the relevant guidance and we have therefore issued an unqualified opinion (see Appendix C).

#### ***Use of resources***

We reported our value for money conclusion on the Authority's use of resources as part of our accounts audit report on 29 September 2006. This was a qualified conclusion, indicating that the Authority had not achieved all the criteria specified by the Audit Commission and reported in detail in our *2005/06 ISA 260 Report to those charged with governance* dated 19<sup>th</sup> September 2006 to the Authority.

We are currently in the process of undertaking our annual review of the Authority's use of resources (2006/07) building on our previous year's work and updating it for any changes and improvements to the Authority's arrangements. We will report our findings to the Authority in our Joint Annual Audit & Inspection Letter (2005/06) which is expected to be issued by the Audit Commission in March 2007.

Our responsibilities under the Audit Commission's Code of Audit Practice also include the review of topics relevant to the Authority's use of resources which have been determined through a risk assessment carried out with the Authority's officers and was detailed in the 2005/06 Annual Audit and Inspection Plan.

## Executive summary

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### 1.3 Looking forward

The Authority faces another challenging year in 2006/07 and we have discussed and agreed our audit plan for this period with the Authority. From that analysis we have identified the following key issues:

- **Improvement Plan:** The Authority has been in voluntary engagement since 2004 and has made good progress in developing, agreeing and implementing an Improvement Plan, for example key strategic documents with a more robust staffing structure now in place. A robust assessment of how much progress the Authority has made will be assessed as part of the Audit Commission's Comprehensive Performance Assessment (CPA) that is scheduled to take place during the first quarter of 2007 together with our Use of Resources judgement which is expected to be issued in March 2007.
- **Initiatives:** The Authority has entered into an agreement with an external provider to help it to implement a number of initiatives under the project title 'Spatial Project' at a cost of approximately £6.3m. The Authority believes this will lead to annual savings that will be calculated following the completion of the stage 3 of the project. The Authority will need to ensure that it has sufficient and effective project management and monitoring procedures in place to ensure successful delivery of these initiatives and the savings.
- **Joint Working:** There is increasing pressure on local authorities to work in much more collaborative manner and as a result it is likely that there will be an increasing degree of joint working with neighbouring authorities. The Authority decided not to enter into a shared service arrangement for the provision of its revenue and benefits services with other Worcestershire authorities this was due to the Authority believing that the business case would not deliver significant benefits to the Council and its service users. However the local authorities continue to discuss the future provision of other back office services that may present opportunities and/or benefits to individual authorities under a shared service agreement. Any such future arrangements will require robust scrutiny and monitoring to ensure they are effectively governed and deliver agreed outcomes for the Authority and its residents.

### 1.4 Acknowledgements

We would like to take this opportunity to thank the officers and Members for their continuing help and co-operation whilst undertaking our audit this year.

## **2.1 Scope of our work**

Our 2005/06 *Interim Report*, issued in July 2006, set out our findings in relation to the Authority's controls and internal audit function. Further to this document, our *Report to Those Charged with Governance* gave our findings and initial conclusions in relation to the Authority's accounts.

This report summarises our findings from the audit of the accounts and Statement on Internal Control for 2005/06.

## **2.2 Findings of the accounts audit**

### ***Opinion and certificate***

We issued an unqualified opinion on the accounts on 29 September 2006. For the first time this year, our audit report incorporated a conclusion on the Authority's use of resources. This is discussed in more detail in section 3 and in our *Report to Those Charged with Governance*, issued on 19 September 2006.

We received a complete set of draft 2005/06 accounts from the Authority by the agreed deadline of 30 June 2006 and they were supported by adequate quality working papers, which is a clear improvement from prior year.

Following completion of our audit the accounts were amended for a number of errors and presentational disclosures. None of these however were considered to be material and there were no uncorrected errors.

We also reviewed the information supporting the Authority's Statement on Internal Control for 2005/06 and concluded that it was consistent with our understanding of the Authority.

We also concluded that we were able to place reliance on the work of Internal Audit in 2005/06. Our review of Internal Audit work noted that Internal Audit raised a number of recommendations aimed at improving the Authority's financial controls throughout the year and we continue to support Internal Audit in raising these issues and recommendations.

We have no further issues to report which have not already been addressed in sufficient detail in 2005/06 *ISA260 Report to Those Charged with Governance*.

### ***Whole of government accounts opinion***

WGA are 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 which is based on, but separate from, their statutory accounts.

The 2005/06 year was the second "dry-run" year for the WGA process, but for the first time auditors were required to review and report on the WGA consolidation pack. In 2006/07, the WGA process will "go live" and the Authority will need to ensure it complies with the deadlines for the completion of its WGA pack for audit purposes once these have been issued.

As external auditors to the Authority, we have provided an opinion on your 2005/06 WGA consolidation pack. In our opinion, the consolidation pack, with the adjustments schedule addendum, is consistent with the statement of accounts for the year ended 31 March 2006.

## **2.3 Financial Position**

### ***Revenue***

During the year ended 31 March 2006 The Authority reported a deficit of £186k, which represented an overspend of 2% against its total 2005/06 budget of £9.65m. This overspend was reduced via the receipt of additional interest income of £256k, which was generated from investments.

The main areas of overspend related to street scene and waste management services and the recovery plan which was overspent by £185k. The impact of these overspends were offset by vacancy savings for example in Culture and Community Services of £110k, Financial Services of £85k and Planning and Environment services of £199k.

## Section 2

# Audit of Accounts

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For 2006/07, The Authority has set a balanced revenue budget of £10.45m and is currently forecasting a projected overspend of £77k. The main increase in budget relates to service improvements of £1.69m. However this is offset by savings, additional grant income and use of balances.

Although the Authority is currently examining ways of addressing spending and activity levels, these need to be carefully monitored to ensure that the overall cumulative financial position of the Authority remains strong.

### **Capital**

The Authority approved a budget of £8.36m, against which only £6.3m was incurred, resulting in a under spend of £2.065m and a carry forward of £1.65m. The main areas for slippage in 2005/06 were eGovernment and customer services with 22%, culture and community services with 34% and street scene and waste management with 43% under spent against budget.

For 2006/7, The Authority has approved a capital programme of £7.9m, which includes the carry forward from 2005/6 and also the Spatial IT project of £500k. As at September 2006, The Authority is forecasting an under spend of £871k, the main area of slippage being planning and environment services.

Work is currently being undertaken with budget holders and heads of services across the Authority to further refine spending profiles on schemes and to report any slippage on the capital programme to the Performance Management Board and the and the Corporate Management Team.

In addition, the Authority has developed and adopted an Asset Management Plan (2006 to 2010). The plan will introduce a set of local performance indicators to measure and monitor the performance of the whole authority in the delivery of its capital projects in terms of cost and time predictability.

### **Reserves and balances**

The Authority reported general fund revenue balances of £2.28m and earmarked balances of £607k at the end of 2005/06. During the year a review of earmarked reserves was undertaken and a number of reserves were consolidated into a replacement reserve. The Authority intends to use this reserve to replace vehicles, plant and ICT equipment and from 2006/07 a contribution of £200k each year will be made to this reserve.

In order to meet future budgetary pressures the medium term financial plan (2006 to 2009) requires the Authority to use general fund balances of £320k in 2006/7 and £500k in 2007/8 to fund one off expenditure. This planned usage of its general fund balance results in a projected balance of £1.47m in 2008/09, which remains above the Authority's approved minimum required balance of £850k.

The Authority's ability to maintain reserves in line with its medium term financial strategy is dependent on robust budget management to ensure that use of further working balances is not required to manage higher overspends.

## **2.4 Questions and objections from electors**

Electors of Bromsgrove District Council are entitled by law to raise with the auditor questions or objections to items of account. These queries can then require us to investigate the issue raised.

We have not received any questions or objections during the audited year.

## **2.5 Certification of grant claims and returns**

We are currently in the process of reviewing and certifying the Authority's grant claims and returns for the financial year 2005/06.

### 3.1 Scope of our work

We reported our findings in support of our Use of Resources conclusion in our *Report to those charged with governance* dated 19<sup>th</sup> September 2006.

We have also set out below the summary of our other work completed as part of responsibilities under the Code of Audit Practice in relation to the Authority's use of resources.

### 3.2 Use of resources evaluation

The aim of the evaluation was to be satisfied that the Authority has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The assessment is based on judgements on the themes issued by the Audit Commission.

Our *2005/6 ISA 260 Report to those charged with governance* dated 19 September 2006 detailed our main findings and we concluded that the arrangements in place at the Authority were inadequate.

We are in the process of undertaking our annual review of the Authority's use of resources (2006/07) building on our previous year's work and updating it for any changes and improvements to the Authority's arrangements. We will report our findings to the Authority in our Joint Annual Audit & Inspection Letter (2005/06) which is expected to be issued by the Audit Commission in March 2007.

### 3.3 Best Value Performance Plan (BVPP)

In line with the Audit Commission's *Code of Audit Practice*, as part of our 2006/07 work programme we are required to audit the Authority's 2006/07 Best Value Performance Plan (Council Results) to ensure that its contents comply with statutory requirements.

Our opinion is included in Appendix C and there are no significant issues arising from our work which we wish to bring to the attention of Members.

### 4.1 Scope of work

The Audit Commission has introduced a new review of local authorities' data quality arrangements, which forms part of our work for the 2006/07 audit year.

The work is timely since, with the continued development of the performance management framework in many organisations, there is increased reliance on information for decision-making, so the accuracy of the information is vital for effective organisational management.

Data is also important to external stakeholders wishing to review authorities' performance, as such our work also includes the validation of certain indicators to assist the Audit Commission with the CPA process.

Our review of data quality was carried out in compliance with the Audit Guides issued by the Audit Commission. These divide our work into three phases.

- Stage 1: Review of management arrangements. Here we consider the arrangements in place by which the Authority defines its objectives for data quality and aims to ensure that they are achieved.
- Stage 2: Comparison to other authorities. This audit step involves responding to the Audit Commission where they raise questions on the Authority's performance indicators. These questions may arise through analysis of historical trends or comparison to other authorities. The Authority was able to provide answers to all Audit Commission questions and we have nothing further to report to members on this matter
- Stage 3: Data testing. We perform detailed testing on a number of indicators selected by the Audit Commission, carrying out the tests specified in the Audit Guide. The number of indicators tested is dependent upon our assessment of the adequacy of management arrangements in Stage 1.

### 4.2 Review of managements arrangements over data quality

For the initial assessment stage, the Audit Commission developed five Key Line of Enquiries (KLOEs) to enable us to evaluate the Authority's management arrangements for data quality. The assessment is scored based on the Authorities fulfilment of prescribed criteria as follows:

- Level 1 = inadequate performance
- Level 2 = adequate performance
- Level 3 = performing well
- Level 4 = performing strongly

We have given the Authority an overall score of one out of four, covering the following area's of assessment:

- Governance arrangements;
- Policy framework;
- Information systems and processes;
- People and skills; and
- Using data effectively

We have made a number of recommendations these will provide the Authority with an opportunity to improve its arrangements in the coming year. The recommendations are set out overleaf and summarised in Appendix A.



## Section 4

# Audit of data quality

### Data quality governance arrangements

Data quality element	Level achieved
Governance arrangements	1

This section of our management arrangements review covered the Authority's leadership over data quality, including:

- its top level commitment to data quality
- how responsibilities for data quality are defined and communicated;
- its 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 from staff and how officers and Members will ensure that this is achieved.

The key strategic documents of the Authority such as its Corporate Plan, service and business plans and risk register do not formally nor clearly set out and demonstrate the Authority's commitment to data quality. As a result there is no overall strategy in place setting out how the Authority expects to consistently achieve data quality.

The Authority's Individual service and business plans, the budget book 2006/07 and also job specifications for relevant staff specify officer responsibility for producing performance indicators but not clearly specify the responsibility in relation to data quality. For example responsibility for producing and reporting accurate, valid, reliable, relevant and complete data.

#### Recommendation 1: Formalisation of Data Quality Strategy

The Authority should demonstrate its commitment and objectives for data quality within all its key strategic documents such as its Corporate Plan, service and business plans and risk register and should also develop, approve and implement a comprehensive data quality strategy supporting this commitment.

#### Recommendation 2: Roles and responsibilities for data quality

The Authority should clearly assign the responsibility of data quality within all its key strategic documents and in all job descriptions of staff responsible for producing and reporting data.

### The policy framework for data quality

Data quality element	Level achieved
Policy framework	1

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

Whilst we noted there are procedures and guidance notes in place for example in revenue and benefits, these are not in place in other business areas such as waste management and planning.

In addition, there is no data quality policy or set of policies in place at the Authority designed to support data quality objectives. In the absence of an approved data quality policy there is a risk of inconsistent and inadequate practices for data quality across the Authority's departments.

#### Recommendation 3: Formalisation of data quality policy

The Authority should formally adopt a Data Quality Policy and all staff should be made aware of this policy. Further to this the Authority should consider providing necessary training to all staff to ensure a consistency of approach across all its departments.

## Section 4

# Audit of data quality

### Information systems and processes

Data quality element	Level achieved
Information systems and processes	2

Fundamental to the reliability of the Authority's information is the robustness of the systems which store or provide its underlying data. Our review of the Authority's management arrangements considered the robustness of its systems in place, including management's response to previously identified weaknesses, and consideration of data security and integrity. Our review also considered the systems for collating indicators and sharing information.

The Authority's IT department provide adequate support to staff using the systems which maintain data used to produce data for performance indicators.

Corporate Communication Policy and Performance team are responsible for collating and reporting performance indicators. However, during the year, due to staff shortages in the Corporate Communication Policy and Performance team, Authority's Internal Audit function has been involved in collating performance indicators and performing a high level review of performance indicators.

The Authority is committed to implement the LAMP (Local Authority Modernisation Project) which incorporates a 6 month phase of data cleansing, updating and linking of data, covering multiple data sets produced and maintained by the Authority. The LAMP project has identified that the Authority needs to undergo extensive data cleansing to its systems.

Our detailed review of the calculation of BV82 'percentage of house hold waste sent for recycling and composting' noted that the data for this indicator is recorded and calculated by the Authority on excel spreadsheets. We found that the formula used to calculate the indicator incorrectly included trade waste. The calculation of this indicator has since been corrected.

As a result we consider that adequate controls should be put in place to ensure the accuracy of input of data and calculation of indicators, especially where manual intervention is used to calculate the Authority's performance indicators.

We understand that the Authority has agreed and signed a Worcester Information Sharing Protocol to be used by departments and groups. However, currently there is no formal corporate protocol in place for internal and external data sharing. In the absence of such a protocol the Authority cannot ensure robust data quality from third parties occurs.

#### Recommendation 4: Review of PI data and systems

We recommend that the Authority extends the review process underpinning the production of performance indicators. This should be undertaken by the Corporate Communication Policy and Performance Team and should include scrutiny of the underlying data, as well as the systems used to calculate the Authority's performance indicators. The findings of reviews should then be reported to the Performance management Board to satisfy Members on the quality of data.

#### Recommendation 5: Formal protocol for data sharing

The Authority should adopt a formal corporate protocol for data sharing to emphasise the Authority's commitment to the production of high quality data both internally and to other organisations.

### People and skills

Data quality element	Level achieved
People and skills	1

The sections set out above require a range of skills for successful implementation – whether knowledge of information systems or the knowledge of processes to ensure that they are appropriately designed to deliver high-quality data. It is, therefore, important that the Authority considers the skills it needs to deliver its data quality objectives. Once these have been identified, it will be necessary for the Authority to implement training programmes and briefings in order to fully develop these skills.

Whilst The Authority has recently completed an organisational structural review which has enabled The Authority to identify areas of skills weaknesses, this did not focus on reviewing specific skills and responsibilities in relation to data quality.

During the year the IT department facilitated workshops to introduce staff to the LAMP project explaining how the project will ensure clean, current and up to date data.

All staff are aware of their roles and responsibilities and these are enforced through performance appraisals every six months. Any issues in relation to data quality training if identified can be highlighted.

#### **Recommendation 6: Assessment of data quality skills and provision of appropriate training**

The Authority should undertake an assessment of the current level of data quality skills in the organisation, especially in light of the LAMP project, to identify service areas where further training is required.

Following this, data quality should be incorporated into the Authority's corporate training calendar and provided to all relevant staff, to ensure a consistency of approach to data quality across the Authority.

#### **Using data effectively**

<b>Data quality element</b>	<b>Level achieved</b>
Using data effectively	2

Performance data should be used by Members to inform decision-making and improvement. In order to facilitate this, performance information should be appropriate, timely and subject to a thorough review by senior staff before used by Members.

The Authority reports to Performance Monitoring Board and staff against a 'basket' of key 45 performance indicators on a quarterly basis. Reports are produced on an exception basis, to focus Member and senior officer attention on areas where clear action is required.

Reported data is submitted back to heads of services. The minutes of all the Board's meetings can be found on the intranet and can be accessed by staff for feedback.

The Performance Indicator co-ordinator maintains a file of indicators which includes evidence of the reports used to compile each performance indicator with background information on its compilation and explanations for variances.

The controls exercised by the Authority to confirm accuracy of indicators is focused on outputs and does not necessarily cover the accuracy of the input of data and correct application of the statutory definitions on performance indicators. Reliance is placed on the officer responsible for producing the performance indicator.

#### **4.3 Data testing**

As part of our work on data quality we reviewed a number of best value performance indicators. The number reviewed was determined by our assessment of the management arrangements around data quality at the Authority.

Following our assessment of the management arrangements, three indicators were selected for review. Of these, an amendment was placed on one Indicator.

<b>Performance Indicator</b>	<b>Reason for selection</b>
<b>BV 82A</b> – recycling performance	Indicator definition changed from the prior year
<b>BV 82B</b> – composting performance	Indicator definition changed from the prior year
<b>BV 109</b> – planning speed (parts a to c)	Identified as a high risk indicator by the Audit Commission

Of the three indicators tested, The Authority amended BV82 a and b as the indicator calculation incorrectly included trade waste. The revised calculation slightly improved the performance of the indicators.

We reported our findings to the Audit Commission performance indicator team through the Audit Commission's EDC system.

## Appendix A: Summary of data quality recommendations

No.	Recommendation	Priority	Management Response
1	<p><b>Formalisation of Data Quality Strategy</b></p> <p>The Authority should demonstrate its commitment and objectives for data quality within all its key strategic documents such as its Corporate Plan, service and business plans and risk register and should also develop, approve and implement a comprehensive data quality strategy supporting this commitment.</p>	H	Agreed. Data quality strategy to be produced by the end of the financial year
2	<p><b>Roles and responsibilities for data quality</b></p> <p>The Authority should clearly assign the responsibility of data quality within all its key strategic documents and in all job descriptions of staff responsible for producing and reporting data.</p>	H	Agreed will take account of in key corporate documents. Job descriptions will be reviewed with regard to this when undertaking the annual PDR process
3	<p><b>Formalisation of data quality policy</b></p> <p>The Authority should formally adopt a Data Quality Policy and all staff should be made aware of this policy. Further to this the Authority should consider providing necessary training to all staff to ensure a consistency of approach across all its departments.</p>	H	Agreed policy to be developed by the end of the financial year. Training on strategy and policy has been included in corporate training directory.
4	<p><b>Review of PI data and systems</b></p> <p>We recommend that the Authority extends the review process underpinning the production of performance indicators. This should be undertaken by the Corporate Communication Policy and Performance Team, and should include scrutiny of the underlying data, as well as the systems used to calculate the Authority's performance indicators. The findings of reviews should then be reported to the Performance management Board to satisfy Members on the quality of data.</p>	H	Corporate Communication Policy and Performance Team will be reviewing Performance Management process. Also Internal Audit as a separate audit but will include looking at PI's as part of specific audits around service areas.
5	<p><b>Formal protocol for data sharing</b></p> <p>The Authority should adopt a formal corporate protocol for data sharing to emphasise the Authority's commitment to the production of high quality data both internally and to other organisations.</p>	M	Bromsgrove has signed up to the Worcestershire Information Sharing Standard. This was agreed a couple of years ago and is part of the working practices of the Hub Partnership. The Standard is designed to be used by departments/groups within the Authority who have a need to share data with partners. The Standard provides a toolkit to help departments/groups draw up a data sharing protocol for their particular needs. We accept that this has never been done. There is no single data sharing protocol for Bromsgrove as requirements would be different for each department. however we will seek to adopt one by September 2007.
6	<p><b>Assessment of data quality skills and provision of appropriate training</b></p> <p>The Authority should undertake an assessment of the current level of data quality skills in the organisation, especially in light of the LAMP project, to identify service areas where further training is required.</p> <p>Following this, data quality should be incorporated into the Authority's corporate training calendar and provided to all relevant staff, to ensure a consistency of approach to data quality across the Authority.</p>	M	Training has been included in the corporate training directory on the strategy and policy however departmental specific training will be addressed as part of ongoing training within the department

## Appendix B: Follow up of last years principal recommendations

No.	Recommendation	Priority	Management Responses on Progress
1	<p><b>Performance framework</b></p> <p>The Authority should incorporate benchmarking into the performance indicators to allow the Performance Management Board (PMB) to place current performance into an appropriate context.</p>	<b>H</b>	The Value for money action plans that are to be included in the 2007/08-2009/10 Business Plans will evidence how the service plans to benchmark its activities in both financial and performance terms. The delivery of the action plan will be monitored by the VFM advisory group together with PMB.
2	<p><b>Performance framework</b></p> <p>Whilst The Authority has a Top 45 set of performance indicators, The Authority should still consider reporting by exception i.e. reducing the number of indicators presented to the PMB to streamline the reporting process and enable the PMB to focus on poor performing areas.</p>	<b>M</b>	The Authority is continuing with the number of indicators that are reported. However an exception report is now presented to PMB to ensure focus on the poor performance with a clear action of how the service plans to improve the performance.
3	<p><b>e-Government</b></p> <p>The Authority must develop time bound action plans that are driven by effective project management based on realistic targets to ensure it fully delivers the e-Government agenda.</p>	<b>H</b>	The Authority has adopted a project management methodology and manages projects within this framework. The implementation of the Spatial Data, Internet and Infrastructure projects will all support the e-Government agenda.
4	<p><b>Council Tax Level</b></p> <p>The Authority should ensure that future calculations of The Authority Tax Level take into account the existing (and future) level of reserves, including any implications arising from the need to distribute any surplus to precepting authorities.</p>	<b>H</b>	Recommendation implemented for 2005/06.
5	<p><b>Treasury management</b></p> <p>Performance The Authority should produce quarterly reports that benchmark treasury management performance to ensure it is achieving best value from fund managers.</p>	<b>H</b>	The reports to PMB include quarterly performance of Treasury Management funds and how this is comparable with the target set. There is currently a review being undertaken of the Treasury Management Strategy.
6	<p><b>Revenue balances</b></p> <p>The Authority should calculate a risk assessed minimum level of balances required to sustain revenue expenditure. This should be based on a risk assessment of key variables and incorporate the overall objectives as specified in the Corporate Plan via the Medium Term Financial Strategy.</p>	<b>M</b>	This will be delivered as part of the review of the medium term financial plan for 2007/08-2009/10 for presentation to members in February 2007.
7	<p><b>Capital programme</b></p> <p>The Authority needs to re-evaluate the capital budget setting process to ensure it takes into account issues arising from earlier years and ensure that all projects are covered.</p>	<b>M</b>	The capital bid requests take into account all consequences of capital spend. The capital programme is to be approved in February 2007 to ensure all schemes are included in relation to future revenue implications in the Medium Term Financial Plan.

## Appendix B: Follow up of last years principal recommendations

No.	Recommendation	Priority	Management Responses on Progress
8	<p><b>Capital programme</b></p> <p>The Authority needs to ensure it has robust project management arrangements over its capital programme to ensure that all projects are delivered on time and to budget.</p>	<b>H</b>	The Capital programme is monitored on a monthly basis with the Heads of Service. There are clear justifications as to the delays in projects completion ( e.g. – delays in obtaining land for low-cost housing).
9	<p><b>Prudential borrowing</b></p> <p>The Authority should risk assess and carry out a cost benefit analysis of the two options available to it with regards to funding its future capital programme, for example through prudential borrowing.</p>	<b>M</b>	To be reviewed as part of the Capital Programme 2007/08-2009/10.
10	<p><b>Risk management</b></p> <p>The Authority should map its risk register to its corporate and operational objectives to help align future risk and performance integration.</p>	<b>H</b>	The Corporate and Departmental risk registers have all been prepared and are revisited on a regular basis to ensure mitigation of risks. Also Internal Audit have just taken over responsibility for risk management and have reviewed the Strategy – this will be formally considered by Cabinet in March.
11	<p><b>Internal Audit</b></p> <p>Internal Audit should establish realistic milestones and targets for the delivery of its audit plan that incorporates appropriate actions in case of slippage.</p>	<b>H</b>	The Audit Plan is discussed with HOS when being prepared. This ensures that the plan is realistic. There are also contingencies in the eventuality of any slippage. This is all considered on a risk basis to the Authority.
12	<p><b>Use of Resources</b></p> <p>The Authority should review the individual KLOEs and develop suitable action plans to move to the next level.</p>	<b>H</b>	A detailed action plan has been prepared by accountancy to identify how the Authority can move to higher levels. The VFM strategy details how the Authority will demonstrate VFM in the future.

***Auditor's Report to Bromsgrove District Council on its Best Value Performance Plan for the 2006/07 financial year*****Certificate**

We certify that we have audited the Best Value Performance Plan of Bromsgrove District Council ("the Authority") in accordance with section 7 of the Local Government Act 1999 ("the Act") and the Audit Commission's *Code of Audit Practice*. We also had regard to supplementary guidance issued by the Audit Commission.

This report is made solely to the Authority, in accordance with section 7 of the Act. A copy of this report will be sent to the Audit Commission under 7(5)(b) of the Act in relation to our recommendation to the Audit Commission under section 7(4)(e). A copy of this report will be sent to the Secretary of State under 7(5)(c) of the Act if we include a recommendation under section 7(4)(f) that the Secretary of State should give a direction under section 15 of the Act.

Our audit work has been undertaken so that we might state to the Authority, to the Audit Commission and (where necessary) to the Secretary of State those matters we are required to state to them in such an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than (i) the Authority, for our audit work, for this report, or for the opinions we have formed, (ii) the Audit Commission, for our recommendation under section 7(4)(e) and (iii) the Secretary of State, for our recommendation (if positive) under section 7(4)(f) of the Act.

**Respective Responsibilities of the Authority and the Auditor**

Under the Local Government Act 1999, the Authority is required to prepare and publish a Best Value Performance Plan summarising its assessments of its performance and position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Authority is responsible for the preparation of the Plan and for the information and assessments set out within it. The Authority is also responsible for establishing appropriate performance management and internal control systems from which the information and assessments in its Plan are derived. The form and content of the Best Value Performance Plan are prescribed in section 6 of the Act and statutory guidance issued by the Government.

As the Authority's auditors, we are required under section 7 of the Act to carry out an audit of the Best Value Performance Plan, to certify that we have done so, and:

- to report whether we believe that the Plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Act and statutory guidance and, where appropriate, recommending how the Plan should be amended so as to accord with statutory requirements;
- to recommend:
  - where appropriate, procedures to be followed in relation to the Plan;
  - whether the Audit Commission should carry out a Best Value inspection of the Authority under section 10 of the Local Government Act 1999; and
  - whether the Secretary of State should give a direction under section 15 of the Local Government Act 1999.

**Opinion***Basis of this opinion*

For the purpose of forming our opinion as to whether the Plan was prepared and published in accordance with the legislation and with regard to statutory guidance, we conducted our audit in accordance with the Audit Commission's *Code of Audit Practice*. In carrying out our audit work, we also had regard to supplementary guidance issued by the Audit Commission.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide an opinion on whether the Plan has been prepared and published in accordance with statutory requirements.

In giving our opinion, we are not required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the Authority. Our work therefore comprised a review and assessment of the Plan and, where appropriate, examination on a test basis of relevant evidence, sufficient to satisfy ourselves that the Plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the Plan complied with the requirements of the legislation and statutory guidance.

Where we have qualified our audit opinion on the Plan, we are required to recommend how the Plan should be amended so as to comply in all significant respects with the legislation and statutory guidance.

In our opinion, Bromsgrove District Council has prepared and published its Best Value Performance Plan in all significant respects in accordance with section 6 of the Local Government Act 1999 and statutory guidance issued by the Government.

**Recommendations on procedures followed in relation to the Plan**

Where appropriate, we are required to recommend the procedures to be followed by the Authority in relation to the Plan.

For the current financial year, we have not made any such recommendations.

**Recommendations on referral to the Audit Commission/Secretary of State**

We are required each year to recommend whether, on the basis of our audit work, the Audit Commission should carry out a Best Value inspection of the Authority or whether the Secretary of State should give a direction.

On the basis of our work:

- we do not recommend that the Audit Commission should carry out a Best Value inspection of Bromsgrove District Council under section 10 of the Local Government Act 1999; and
- we do not recommend that the Secretary of State should give a direction under section 15 of the Local Government Act 1999.



**Appendix D: Audit reports issued**

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Report Title	Date Issued
Annual Audit and Inspection Plan 2006/07	March 2006
Annual Audit & Inspection Letter (2004/05)	March 2006
2005/06 Interim Report	July 2006
2005/06 Report to those charged with governance (ISA260)	September 2006
2005/06 Opinion on Financial Statements	September 2006
2005/06 Whole of Government Accounts – Opinion	October 2006
2005/06 External Audit Annual Report	December 2006
2005/06 Best Value Performance Plan – Opinion	December 2006
2005/06 Annual Audit & Inspection Letter	To be issued (estimated to be March 2007)