



INFRASTRUCTURE, GOVERNMENT
& HEALTHCARE

Annual External Audit Report

2006/07

**Northampton Borough
Council**

February 2008

AUDIT

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Executive summary 2

- 1.1 Scope of this report
- 1.2 Summary of findings
- 1.3 Looking forward
- 1.4 Acknowledgements

Accounts and Statement on Internal Control 4

- 2.1 Audit of the Authority's accounts
- 2.2 Whole of Government Accounts
- 2.3 Evaluation of Internal Audit
- 2.4 The Statement on Internal Control
- 2.5 The Authority's financial position
- 2.6 Certification of grant claims and returns
- 2.7 Questions and objections from electors

Use of Resources 12

- 3.1 Use of Resources scored judgment
- 3.2 Audit of data quality
- 3.3 Best Value Performance Plan
- 3.4 Use of Resources conclusion

Accounting Policies 20

Appendices

- Appendix A: Summary of 2006/07 recommendations and action plan
- Appendix B: Follow up of previous year's recommendations
- Appendix C: Audit reports issued
- Appendix D: Fee summary
- Appendix E: Statutory Report on Best Value Performance Plan

This report is addressed to the Authority and has been prepared for the sole use of Northampton 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 Michael McDonagh, who is the engagement partner to the Authority, telephone 0121 335 2440, e-mail michael.a.mcdonagh@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, 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 0117 9753131, textphone (minicom) 020 7630 0421.

Section 1

Executive summary

1.1 Scope of this report

This report summarises the 2006/07 external audit work carried out by KPMG LLP ("KPMG") at Northampton Borough Council ("the Authority") with regards our audit responsibilities under the Audit Commission's *Code of Audit Practice* ("the Code"). Under the *Code* we are required to review and report on two specific areas which we have used to structure this report:

- **Accounts and Statement of Internal Control:** This area is concerned with the accounts production process and the associated opinions that we provide on the Authority's financial statements and the Whole of Government Accounts (WGA) submission (section 2); and

- **Use of Resources:** This work is concerned with determining whether the Authority has sound arrangements in place to ensure value for money in the delivery of its services and the deployment of its resources (section 3).

Our findings are summarised below, with our more detailed findings presented in sections 2 and 3 of this report.

- **Accounting Policies:** Section 4 of this report includes an outline of the changes that are anticipated as a result of both the implementation of the Statement of Recommended Practice (SORP) and the potential introduction of International Financial Reporting Standards (IFRS).

1.2 Summary of findings

The majority of the issues summarised in this report have previously been reported to the Authority by KPMG and a list of all reports issued in relation to our 2006/07 audit is provided at Appendix C. Also included at Appendix A is a summary of our recommendations.

Audit of accounts and Statement on Internal Control

To bring local government into line with other parts of the public sector, the timetable for preparation and publication of accounts has been gradually brought forward. For 2006/07, the accounts needed to be prepared by the end of June 2007 and published by the end of September 2007. Whilst this is not formally an audit deadline, it is desirable for the accounts to be published with the audit opinion included, so we plan our audit work to deliver the opinion by this date.

In the course of our work, we identified a number of performance improvement observations. We have previously brought these to the attention of Members through our *ISA 260 Report to those charged with governance* which was presented to the Audit Committee in September 2007. These findings are summarised in section 2 of this report.

We issued our interim unqualified opinion on the financial statements on 18 October 2007. We issued our final unqualified opinion together with our audit certificate and use of resources conclusion on 18 December 2007. This marks the conclusion of our statutory responsibilities for the year.

Use of resources

Between August and November 2007, we completed our second scored judgement on the Authority's use of resources. This assesses the Authority against Key Lines of Enquiry (KLOEs) specified by the Audit Commission, against which the Authority is scored on a scale between 1 (below minimum requirements) and 4 (performing strongly). The scores were reviewed as part of KPMG's local and national quality control processes and then by the Audit Commission to ensure consistency in scoring with other auditors and authorities.

Although the Authority scored '1' overall, it has made improvements in four out of the five KLOEs:

- Financial Reporting
- Financial Management;
- Financial Standing; and
- Value for Money.

Whilst the improvements were not sufficient to improve the Authority's overall score they do demonstrate that progress has been and is being made.

We reported our conclusion on the Authority's use of resources on 18 December 2007. The conclusion is based on to what extent the Authority meets 12 criteria specified by the Audit Commission which link to our other audit work – for example, on Use of Resources scored judgement and Data Quality. It is unqualified where these are all met and qualified if there are areas where the minimum standards are not fully addressed.

Section 1

Executive summary

For 2006/07, we issued a qualified conclusion as the Authority did not satisfy the criteria.

Audit of data quality

In 2007, we completed our second review of data quality at the Authority using a the Audit Commission's methodology. We assessed the Authority's arrangements to be adequate overall.

1.3 Looking Forward

The Authority faces another challenging year in 2007/08 and we have discussed, risk assessed and agreed our audit plan for this period with the Authority. From that analysis in April 2007 we identified the following key issues, some of which we understand have already been addressed by the Authority:

- Financial Reporting – accounting capacity and quality of working papers;
- Risk Management;
- Financial and Legal capacity
- SORP changes; and
- Introduction of a new Rent System.

More recently there have been other significant challenges facing the Authority, including the:

- Introduction of Single status; and
- Review of Housing including the operation of the DSO.

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

Accounts and Statement on Internal Control

Our *Statement of Accounts 2006/07 - Report to Those Charged with Governance (ISA 260)* detailed our findings and initial conclusions in relation to the Authority's 2006/07 accounts (including a number of recommendations to strengthen arrangements) and the Authority's controls and internal audit function.

This report summarises our findings from the audit of the accounts and Statement on Internal Control for 2006/07, including the submission process for Whole of Government Accounts (WGA).

2.1 Audit of the Authority's accounts

Context of the accounts

It is important for the Authority to produce timely, accurate financial statements. For 2006/07, the accounts were required to be published by the end of September 2007.

We noted that the accounts process at Northampton has been improved since the previous year, though there is scope to improve the closedown process and develop the quality of working papers further in future.

We were unable to give our opinion prior to the 30 September publication deadline as we required amendment to the management representations letter. We were able to issue our interim opinion on the accounts on 18 October 2007.

Opinion and certificate

The opinion which we issued in October has the status of an interim opinion until all audit duties for the year have been completed at which time we issue our certificate that the audit is concluded. We are required to issue a final accounts opinion, together with our audit certificate, where this is later.

We agreed to delay our opinion on the Use of Resources until the Audit Commission issued its score in December 2007. Consequently we were only able to issue our audit certificate when this occurred and was accepted by the Authority. We issued our final accounts opinion, the use of resources opinion and our audit certificate on 18 December 2007.

The Statement on Internal Control

We reviewed the information supporting the Authority's Statement on Internal Control (SIC) for 2006/07 and raised a number of issues – e.g. divergence from guidance in the SORP. The Authority issued a revised SIC which we concluded was consistent with our understanding of the Authority.

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.

The 2006/07 year was the first year of full "live" consolidation for the WGA process, and as auditors we were required to review and report on the WGA consolidation pack.

We have not yet submitted the pack to the Department for Communities and Local Government (DCLG). We are currently in discussions with officers to finalise the pack and issue our opinion on it.

2.3 Evaluation of Internal Audit

As previously reported our review of the work of Northampton's Internal Audit Services has confirmed that the service complies with the CIPFA *Code of Practice for Internal Audit*. In 2006/07, we placed reliance on most of the work of Internal Audit where it is relevant to our responsibilities.

2.4 Single Status

The Authority is progressing with its arrangements to implement Single Status from 1 April 2008. At the same time it is addressing any potential liability that it may have with regard to claims by employees and the equal opportunities legislation. The potential costs of implementation of Single Status and settlement of any equal opportunities claims have yet to be determined.

Section 2

Accounts and Statement on Internal Control

2.5 The Authority's financial position

We have provided commentary on the Authority's financial standing in section 3, page 7.

2.6 Certification of grant claims and returns

We have now reviewed and certified the majority of the Authority's grant claims and returns for the financial year 2006/07.

The approach to the certification of claims with a claim value in excess of £500,000 continues to be determined by risk and the adequacy of the Authority's control environment. Our certification work found that:

67 percent of claims certified by us had to be either amended or qualified (or both).

All claims related to 2006/07			All claims certified (to 19 December 2007)		
Claims due	6		Total claims certified by KPMG	6	
Submitted late/still outstanding	0	0%	Claims qualified	2	33%
Submitted over 3 months late	0	0%	Amended	1	17%
Submitted on time	6	100%	Qualified and amended	1	17%
			Neither qualified nor amended	2	33%

The Authority will need to address the weaknesses in systems and processes identified through our work which have resulted in qualification of claims such as errors reflected in the Housing and Council Tax Benefit subsidy claim. There is a risk that grant-paying bodies may consider clawing back grant funding where they are not satisfied with controls to ensure that expenditure claimed for is eligible.

2.6 Questions and objections from electors

Electors of Northampton Borough Council can raise with the auditor questions or objections to items of account. Any such queries can then require us to investigate the issue raised. We received a number of questions and queries during 2006/07, all of which have been resolved.

Section 3

Use of Resources

Our responsibilities under the *Code of Audit Practice* in relation to the Authority's use of resources, and where we report these, is set out in the following table:

Area	Timing of work	Report	Report date
Use of Resources Conclusion 2006/07	August-November 2007	Annual External Audit Report 2006/07	December 2007
2007 Use of Resources scored judgement	August-November 2007	Annual External Audit Report 2006/07	December 2007
Use of Resources issues from 2007/08	August-December 2007	Annual External Audit Report 2006/07	December 2008

The following section comments on our work on the Use of Resources scored judgement, and makes links to the risk areas we have identified in our 2006/07 Audit Plan where relevant.

3.1 Use of Resources assessment

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

The Authority prepared a self assessment against the five KLOEs to help inform our review. We formulated our assessment against the KLOEs by considering the evidence in the self assessment, interviewing Officers and Members and reviewing evidence from our other audit work. Following internal quality control processes by KPMG at both a local and national level, the draft scores were submitted to the Audit Commission for its national review, and have now been approved. The 2007 scores for the five individual KLOEs for are:

KLOE	Score 2007	Score 2006
Financial Reporting	1	1
Financial Management	1	1
Financial Standing	2	1
Internal Control	1	1
Value for Money	2	1

Good practice and improvement opportunities

The Authority produced a comprehensive self-assessment with supporting evidence for our assessment which included information post 31 March 2007. This information demonstrated that a number of areas previously identified as being in need of improvement have been recognised and remedial action implemented since 1 April 2007. We will take account of these changes in our assessment as at 31 March 2008. Our recommendations therefore are limited to those of most importance.

Section 3

Use of Resources

KLOE 1: Financial Reporting

KLOE: 1 Financial Reporting	Score 2007	Score 2006
1.1 Production of statutory annual accounts	1	1
1.2 Promoting external accountability	2	2
Overall score for KLOE 1	1	1

This KLOE assesses the Authority's arrangements for producing and publicising its annual accounts in accordance with relevant standards and timetables.

The key improvement required is for its working papers to be comprehensive and available at the commencement of the audit.

KLOE 2: Financial Management

KLOE 2: Financial Management	Score 2007	Score 2006
2.1 Financial planning and budget setting	2	1
2.2 Managing performance against budgets	1	1
2.3 Asset management	1	1
Overall score for KLOE 2	1	1

This KLOE considers how well the Authority plans its finances and delivers on these plans.

The Authority's arrangements have been improved and should ensure that the Corporate Business Plan drives the Medium Term Financial Plan and that these are integrated with individual service business planning processes. Partnership arrangements should be reviewed to ensure that they continue to deliver the benefits envisaged when they were set up.

KLOE 3: Financial Standing

KLOE 3: Financial Standing	Score 2007	Score 2006
3.1 Managing spending within available resources	2	1

This KLOE evaluates the Authority's arrangements for managing its spending within the available resources, including how the Authority ensures that its finances are sustainable.

The Authority has managed its budget for 2006/07 and has taken early action to address potential problems it faced in setting its 2007/08 budget. As a result, the Authority has been able to maintain its available revenue balance for 2006/07 whilst increasing its earmarked reserves. Current monitoring by the Authority of 2007/08 income and expenditure indicates that its revenue position will be achieved.

Revenue

For the year ended 31 March 2007 the Authority reported a deficit of £0.211million on the General Fund against a balanced budget. This brings the Authority's cumulative General Fund balance to £2.893 million.

The net surplus on the Housing Revenue Account (HRA) was £1.166 million, increasing the fund balance to £5.803 million as at 31 March 2007.

The Authority's approved budget for 2007/08 includes drawing on reserves for £0.89m. At the end of November 2007 the projected outturn for the year is a deficit on the General Fund of £0.412 million – better than the original budgeted position.

Section 3

Use of Resources

Capital

The Authority approved a capital programme of £19.7 million for 2006/07. This compared with actual expenditure of £15.8 million. A total of £3.5million of capital expenditure (90% of the underspend) was re-profiled to the current financial year. The schemes affected by the most significant slippages were changing room improvements (£0.535 million) and St John's car park (£0.477 million).

For 2007/08, the Cabinet approved an initial capital programme of £13.59 million. Including additional approvals, re-profiling and self-financing this had increased to £18.7 million as at October 2007. As at October only £3.7 million (20%) had been spent. Whilst no slippage is anticipated for 2007/08 it is recognised it may occur as a result of circumstances outside of the Authority's control. However given the relatively low proportion of the capital actually expended to the end of October, progress should be monitored regularly.

The Authority should continue to ensure that its improved budget monitoring arrangements are maintained including regular reviews of income streams and effective recovery procedures.

KLOE 4: Internal Control

KLOE 4: Internal Control	Score 2007	Score 2006
4.1 Risk management	1	1
4.2 Internal control	1	1
4.3 Ethics and conduct	1	1
Overall score for KLOE 4	1	1

Internal control considers the Authority's control arrangements, encompassing risk management arrangements, the system of internal control and how the Authority ensures a high standard of conduct by Members and officers.

The Authority is introducing improvements in its internal control arrangements. These should include consideration of the following:

- Making the risk register an active document clearly understood by officers and members;
- Developing procedure manuals for key financial systems;
- Developing its assurance framework;
- Adopting a code of conduct for staff; and
- Ensuring its whistleblowing arrangements are clear and distinct from complaints.

KLOE 5: Value for Money

KLOE 5 Value for Money	Score 2007	Score 2006
5.1 Achievement of value for money	2	1
5.2 Processes to improve value for money	1	1
Overall score for KLOE 5	2	1

KLOE 5.1 considers how costs relate to performance. The Authority's current profile of performance and costs across and within services and operations shows a mix of high and low expenditure and performance.

Section 3

Use of Resources

A number of key improvements have been made, including:

- Developing an understanding of the relationship between cost and performance and mapping them against other similar authorities;
- Recognising the factors that have a particular impact on Northampton and which affect the Authority's relative cost/performance against others; and
- Communicating information in the form of graphs which indicate the performance of particular activities and services.

Other improvements that could be made include:

- Linking the capital programme to priorities; and
- Developing methodologies for capturing the views of users (and non-users) on service provision and performance.

KLOE 5.2

Good practice includes the service reviews produced by Scrutiny Committee.

Since March 2007 the Authority has introduced other measures including improved procurement practices and arrangements to achieve better performance management.

Recommendation 1: Use of Resources

The Authority should consider whether its current arrangements include:

- Its working papers are comprehensive and available at the commencement of the audit.
- Reviewing its partnership arrangements to ensure that they continue to deliver the benefits envisaged when they were set up.
- Ensuring that its improved budget monitoring arrangements together with regular review of income streams and effective recovery procedures are maintained.
- Introducing improvements in its internal control arrangements with particular attention required in;
 - Making the risk register an active document clearly understood by officers and members;
 - Developing procedure manuals for key financial systems;
 - Developing its assurance framework;
 - Adopting a code of conduct for staff; and
 - Ensuring its whistleblowing arrangements are clear and distinct from complaints.
- Developing and embedding a culture of VFM throughout the Authority.

Section 3

Use of Resources

3.2 Audit of Data Quality

The Audit Commission's *Code of Audit Practice* defines auditors responsibilities in relation to their duty to be satisfied as to whether audited bodies have proper arrangements in place for securing economy, efficiency and effectiveness in their use of resources. In particular, the *Code* requires auditors to consider the audited body's corporate performance management and financial management arrangements including "monitoring and reviewing performance, including arrangements to ensure data quality".

The work is important in the context of the continued development of the performance management framework in many organisations. Increased reliance on information for decision-making means that the accuracy of the information is vital for effective management.

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

Scope of our data quality work

Our review of data quality was conducted following the Audit Commission's Audit Guides, which divide our work into three stages. Our findings in relation to each of these stages are summarised below.

Stage 1: Review of management arrangements

We consider the arrangements in place by which the Council defines its objectives for data quality and aims to ensure that they are achieved. The areas covered were:

- Governance arrangements over data quality;
- The policy framework for data quality;
- Information systems and processes;
- People and skills; and
- Using data effectively.

We concluded that the Authority has adequate management arrangements in place in the above areas, but there is potential to develop these further, as indicated in the recommendations below.

Recommendation 2: The Authority should continue to develop its data quality arrangements. Specifically, it should focus on improving the following areas:

- Planned improvements to its governance arrangements should be implemented effectively and reviewed upon implementation.
- Departmental data quality leads should promote policies and procedures, and review and report on compliance.
- The Authority should ensure, through consultation with staff, that the new Performance Plus system provides high quality information in a format which maximises its usefulness.
- Data provided by third parties should be subject to formal protocols and quality checks.

Stage 2 : Comparison with other authorities

This audit step involves responding to the Audit Commission where it raises questions on the Authority's indicators. These questions may result from analysis of historical trends or comparison other authorities.

We gained sufficient evidence to be able to respond to the Audit Commission's questions, which were all resolved.

Section 3

Audit of data quality

Stage 3: Data testing

Based on our risk assessment of the indicators specified by the Audit Commission, we selected a sample of seven indicators for spot checks. These were :

- BV 183b – Length of stay in hostel accommodation;
- BV 184a – Non-decent LA homes;
- BV 199a, b & c – Street and environmental cleanliness;
- BV 212 – Re-let of council dwellings; and
- BV 214 – Repeat homelessness.

We asked the Authority to amend and BV 212 as they were not calculated according to the definition.

Number of indicators tested	7
Number of indicators amended	2
Number of reservations placed	0

3.3 Best Value Performance Plan

We are required to audit the Authority's Best Value Performance Plan to ensure that its contents comply with statutory requirements. We issued an unqualified opinion on the 2007/08 Plan on 7 December 2007. A copy of our opinion is included in Appendix E and there are no significant issues arising from our work which we wish to bring to the attention of Members.

3.4 Use of Resources conclusion

We are required to give a conclusion on the Authority's use of resources for 2006/07. The conclusion is based on whether the Authority meets 12 criteria specified by the Audit Commission, and is unqualified where these are all met and qualified if there are areas where the minimum standards are not fully achieved. Our overall assessment draws on our Use of Resources scored judgement (updated to 18 December 2007), our audit of data quality (which forms part of the 2007/08 Audit and Inspection Plan) and a review of the Authority's most recent Corporate Assessment.

We reported our conclusion on the Authority's use of resources as part of our accounts audit opinion, which was issued on 18 December 2007. This was a qualified conclusion.

Section 4

Accounting Policies

Further changes to accounting requirements take effect in 2007/08, a result of the 2007 SORP, including a new requirement for a Revaluation Reserve and Capital Adjustment Account will significantly alter capital accounting requirements. They are expected to prove challenging for many authorities – this change was originally to be brought in for 2006/07 but was postponed to allow more preparation time, given that significant changes will be required to fixed asset records going forward. We will evaluate the impact of any other changes and liaise with the Authority accordingly.

In a statement in the March 2007 budget the Chancellor confirmed that central government bodies covered by the FReM would be required to adopt International Financial Reporting Standards (IFRS), adapted as necessary for the public sector. The timetable announced by the Government is that adoption will be required for 2008/09. This will require the 2007/08 accounts to be restated for comparative purposes.

The CIPFA/LASAAC Joint Committee which is responsible for the LA SORP has indicated that IFRS will not be adopted in the local government sector until 2009/10, at the earliest, although the WGA returns for 2008/09 will have to be prepared under IFRS. CIPFA has published an analysis of the key differences between the SORP and IFRS and two of the key issues for local government (accounting for PFI/PPP schemes and accounting for infrastructure) will be the subject of Treasury guidance to be issued before the end of 2007.

As we get more guidance as to how IFRS are to be adapted for the public sector we will liaise with the Authority's finance team to ensure that they have appropriate plans in place to manage the transition. We are also working closely with our private sector IFRS team to ensure we benefit from our experience of the IFRS convergence process and we will work closely with you to ensure that we can transfer those benefits to you in the period leading up full adoption. We also believe that the extension of the period available to local government to prepare for IFRS must be used wisely if some of the problems experienced by companies in moving to IFRS are avoided and we would be happy to work with you to identify the key areas where progress really needs to be made.

Appendices

Appendix A: Summary of 2006/07 recommendations and action plan

No.	Recommendation	Priority	Management response	Timescale
1	<p>The Authority should consider whether its current arrangements include:</p> <ul style="list-style-type: none"> • Its working papers to be comprehensive and available at the commencement of the audit. • Reviewing its partnership arrangements to ensure that they continue to deliver the benefits envisaged when they were set up. • Ensuring that its improved budget monitoring arrangements together with regular review of income streams and effective recovery procedures are maintained. • Introducing improvements in its internal control arrangements with particular attention required in; <ul style="list-style-type: none"> – Making the risk register an active document clearly understood by officers and members; – Developing procedure manuals for key financial systems; – Developing its assurance framework; – Adopting a code of conduct for staff; and – Ensuring its whistleblowing arrangements are clear and distinct from complaints. 	High	<p>During the 2006/07 process we implemented a formal process for raising an audit query; this has highlighted a number of key areas where improvements to working papers are needed. Work is currently underway to implement these improvements. We are reviewing our year end timetable and we are committed to delivering a comprehensive set of working papers at the start of the audit.</p> <p>Review of Partnership arrangements.</p> <p>Budget monitoring and monitoring of debt recovery procedures are ongoing.</p> <p>Work on embedding risk management and developing internal control arrangements is currently underway.</p>	<p>30 June 2008</p> <p>31 March 2008</p> <p>Improved during 07/08 and Ongoing</p> <p>31 March 2008 and continuous</p>
2	<p>The Authority should continue to develop its data quality arrangements. Specifically, it should focus on improving the following areas:</p> <ul style="list-style-type: none"> • Planned improvements to its governance arrangements should be implemented effectively and reviewed upon implementation. • Departmental data quality leads should promote policies and procedures, and review and report on compliance. • The Authority should ensure, through consultation with staff, that the new Performance Plus system provides high quality information in a format which maximises its usefulness. • Data provided by third parties should be subject to formal protocols and quality checks. 	High	Agreed.	<p>31 March 2008</p> <p>31 March 2008</p> <p>31 July 2008</p> <p>31 December 2008</p>

Appendices

Appendix B: Follow up of previous year's recommendations

This appendix sets out the recommendations made in the previous year and details what progress has been made in implementing them.

No.	Issue	Recommendation	Current status	Priority
1	Accounts processes We identified a number of accounts Performance Improvements Observations in our <i>Report to those Charged with Governance (ISA 260)</i> .	The Authority should ensure that the recommendations raised in the <i>Report to those Charged with Governance</i> are implemented.	Progress against these recommendations is recorded in our <i>Report to those Charged with Governance 2006/07</i> .	Medium
2	Legality of transactions We identified a two significant transactions whose the legality was questioned.	The Authority should ensure proper financial and legal advice is sought.	The legality of the two transactions were resolved as lawful. The Authority has revised its arrangements to review the financial and legal aspects of any decisions before they are made.	High
3	Internal audit Internal audit identified significant weaknesses in all financial systems provided in house which it reviewed.	Ensure the recommendations raised by internal audit are implemented.	We reported in our <i>Report to those Charged with Governance</i> that 50% of Internal Audit's recommendations had been implemented.	High
4	Data quality We assess the Authority has having poor arrangements for Data Quality.	The Authority should review its data quality management arrangements and amend them to ensure it achieves at least a level 2.	Improvements have been made in 2006/07 and we have seen evidence that arrangements are being improved further. The Authority achieved level 2.	High
5	Budget monitoring The Authority had no formal budget monitoring arrangements in 2005/06.	The Authority should continue to develop and embed its budget monitoring.	Review arrangements were introduced in 2006/07 which have been further improved in 2007/08.	High

Appendices

Appendix C: Audit reports issued

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

Report title	Date issued
Annual Audit and Inspection Plan 2006/07	April 2006
Annual Audit and Inspection Plan 2007/08	June 2007
Statement of Accounts 2006/07: ISA 260 Report to those charged with governance	September 2007
Auditors' report on the Best Value Performance Plan 2007/08	December 2007
Accounts opinion 2006/07 (interim)	October 2007
Accounts opinion 2006/07 (final), incorporating Use of Resources conclusion	October 2007
Annual Audit and Inspection Letter 2006/07	Pending (Scheduled for March 2008)

Appendix D: Fee summary

The table below summarises our fees for completing the 2006/07 audit.

Area of audit work	Planned fee /£	Actual fee /£
Financial statements	120,000	149,000
Use of Resources	55,050	55,050
Data Quality	40,950	40,950
Whole of Government Accounts	3,000	3,000
Grant claim certification *	50,000	50,000
Total	269,000	298,000

Our audit of accounts fee was more than expected owing to the issues outlined in section 2.1 and our *Report to those charged with governance (ISA 260)*. The fees have been agreed by Audit Committee.

Notes:

* Our work on grant certification is summarised in section 2 above. The fee above is an estimate.

Appendix E: Auditor's statutory report on the Best Value Performance Plan

Auditor's Report to Northampton Borough Council on its Best Value Performance Plan for the 2007/08 financial year

Certificate

We certify that we have audited the Best Value Performance Plan of Northampton Borough 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.

Appendix E: Auditor's statutory report on the Best Value Performance Plan

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 XXX 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.