



INFRASTRUCTURE & GOVERNMENT

Annual External Audit Report

2005/06 - Draft

**Bolton Metropolitan Borough Council
November 2006**

AUDIT

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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 Kevin Wharton, who is the engagement director to the Authority, telephone 0161 246 2633, email kevin.wharton@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 6SU or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0117 975 3131, textphone (minicom) 020 7630 0421.

Section 1

Executive summary

1.1 Scope of this report

This report summarises our audit work for the 2005/06 year and in our findings in relation to our:

- audit of accounts (section 2);
- audit of data quality (section 3); and
- work on the Authority's use of resources (section 4).

1.2 Summary of main findings

1.2.1 Audit of accounts

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

The key issues arising from the accounts audit were:

- Weaknesses in the completeness of asset registers and the timeliness of asset revaluations;
- Rectifying the ongoing discrepancies on the bank reconciliations and putting into place actions to prevent these differences arising going forward.

1.2.2 Data quality

During May-July 2006, we completed our first review of data quality at the Authority, using methodology developed by the Audit Commission. This work forms part of our 2006/07 audit.

The key issues from the data quality audit were:

- []

1.2.3 Use of resources

We reported our conclusion on the Authority's use of resources in our accounts audit report on 27 September 2006. This was an unqualified conclusion, indicating that the Authority has achieved the criteria specified by the Audit Commission.

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 and are detailed in the 2005/06 Annual Audit and Inspection Plan. We have documented in this report the conclusions from work undertaken on the ALMO governance arrangements and the regeneration programme.

We have also recently completed our annual Use of Resources assessment for 2006. The results of this work will help to inform our value for money conclusion in 2006/07. We have taken the opportunity to report the key messages from this assessment in this annual report.

1.3 Acknowledgements

We would like to take this opportunity to thank the officers and Members we contacted during these reviews for their help and co-operation throughout our work.

Section 2

Audit of Accounts

2.1 Scope of our work

During the year we completed our work programme on the review of the Authority's internal controls which included a detailed review of Internal Audit. The results of this work were reported to Officers in May and July 2006. During August and September 2006 we completed our work on the financial statements and our *Report to Those Charged with Governance* gave our findings and conclusions in relation to the Authority's accounts.

2.2 Findings from the accounts audit

We issued an unqualified opinion on the accounts on 29 September 2006. For the first time this year, the audit report incorporated a conclusion on the Authority's use of resources. This is discussed in more detail in section 4 and in our *Report to Those Charged with Governance*, issued to you on 27 September 2006. We have agreed the recommendation and management responses in the report with the Director of Corporate Resources. The progress on actions for this and the report on internal controls will be followed up during the course of our work in 2007.

2.3 Questions and objections from electors

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

We received two questions from electors and one allegation of improper conduct made against an employee of the Council during the year. All the issues raised were reviewed in detail and investigations were undertaken where appropriate. None of the issues raised prevented us issuing an unqualified opinion.

2.4 Certification of grant claims and returns

Our work in this area is ongoing and will conclude once all of the 2005/06 claims are submitted at the end of the year. There are no issues to bring to the attention of the Council at this stage. If any issues arise between now and the completion of the work programme we will discuss them with the relevant officers and report any concerns to the Audit Committee.

Section 3

Audit of data quality

3.1 Scope of our work

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

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

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.

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

- **Stage 1: Review of management arrangements.** We consider the arrangements in place by which the Authority defines its objectives for data quality and aims to ensure that they are achieved. This is through comparing actual arrangements to arrangements identified in Key Lines of Enquiry (KLOEs).

Arrangements are then scored as follows:

- Level 1 – below minimum requirements – inadequate performance
 - Level 2 – at minimum requirements – adequate performance
 - Level 3 – consistently above minimum requirements – performing well
 - Level 4 – well above minimum requirements – performing strongly
- **Stage 2: Comparison of other authorities.** This audit step involves responding to the Audit Commission where they raise questions on the Authority's indicators. These questions may arise through analysis of historical trends or comparison to other authorities. This stage also includes a review of the arithmetical accuracy and acceptable values of the outturn of the 19 possible indicators that were selected by the Audit Commission for potential detailed review at stage 3.
 - **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 arrangements in stage 1 and our findings from stage 2.

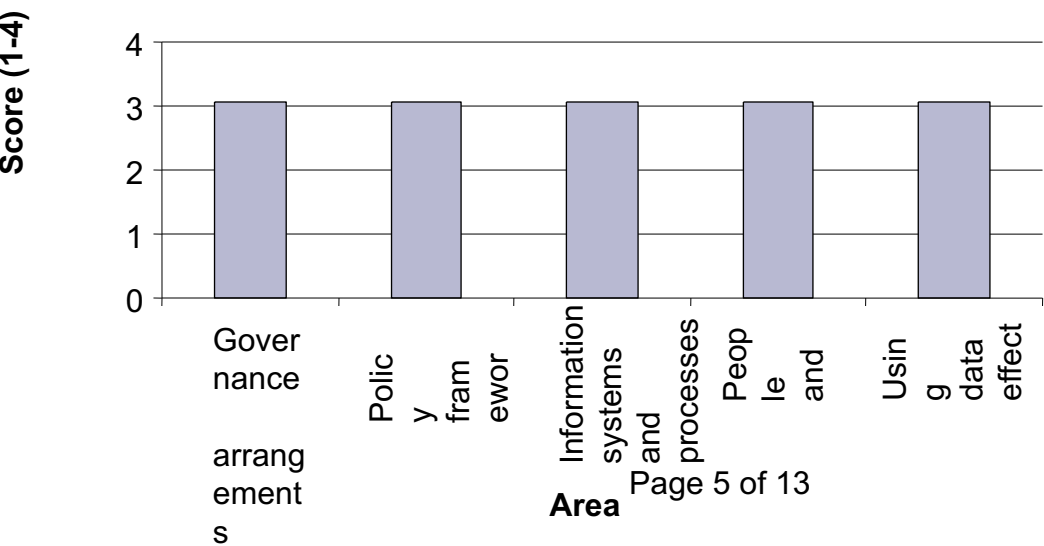
This section of the report focuses on our findings from stages 1 and 3.

3.2 Summary of our assessment

Table 1 shows the Authority's arrangements are consistently performing well in all areas considered under the management arrangements assessment achieving level 3 status.

In certain aspects considered under each area of assessment, the Authority demonstrated characteristics associated with strong performance (level 4). Marginal improvement to the arrangements in these areas should allow the Authority to move to level 4 in future assessments.

Table 1: Management arrangements assessment

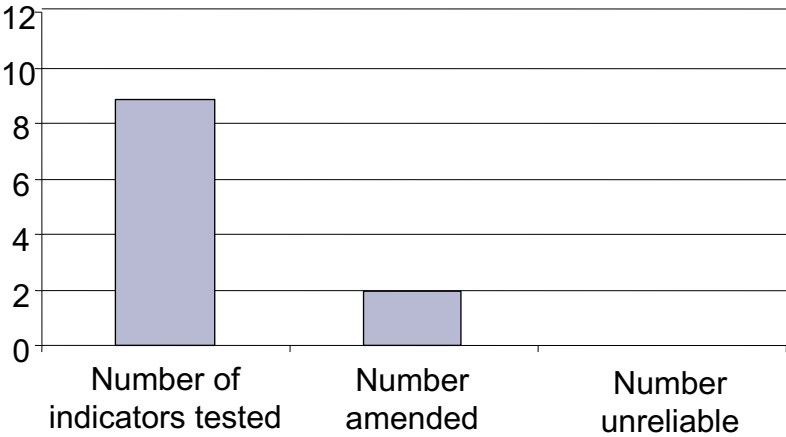


Section 3

Audit of data quality (cont'd)

Table 2 shows we tested nine indicators and did not have to place any reservations on these, although amendments were required to the outturn for two indicators.

Table 2: Results of data testing



3.3 Governance arrangements

Level achieved for Governance arrangements: 3

This section of the management arrangements work reviews leadership over data quality, including:

- how responsibilities for data quality are defined and communicated;
- the data quality objectives in place; and
- how standards for data quality are monitored and reviewed.

This area is important because it defines what is expected of staff and how officers and members ensure that this is achieved.

The Authority’s commitment to data quality was evident through a number of factors. There is a clear strategic approach in place and corporate ownership from the Chief Executive, the Policy and Improvement Team and the Deputy Director-level Performance Management Group (PMG). There is a member of the PMG and a lead PI representative within each department who has responsibility for data quality issues and champions this agenda within their departments. The PMG meets monthly and its members are ultimately responsible for performance in their departments.

The commitment to data quality is communicated through annual PI quality assurance (QA) briefing sessions for all staff involved in the process and the Authority has a number of strategic documents which communicate objectives in relation to data quality. In addition, all guidance and training sessions are made available to staff through the Performance Information Management System (PIMS).

There is scope to strengthen these arrangements by introducing a formal data quality strategy at corporate level and by formalising the data quality objectives and policies at an operational level into delivery plans.

With clear assignment of responsibility there are also clear lines of accountability within the Authority for achieving data quality objectives. There are indications that the Authority’s personal development process system was integrated, to a certain extent, with data quality objectives for some individuals. However, there is scope to increase the prominence of data quality objectives in individual’s goals and appraisals for the coming year for all staff involved in data quality.

Section 3

Audit of data quality (cont'd)

The Authority has arrangements in place such as using Internal Audit to investigate areas of concern and have recently started to undertake benchmarking exercises to review the effectiveness of its own arrangements. Results of these reviews are communicated to staff involved in the process through corporate business planning process training and the PI QA sessions. These sessions are intended to equip staff with the necessary skills and constantly adapts to new requirements.

Issues relating to data quality are regularly considered by the Head of Policy and Improvement and his team, and performance reports are issued on a quarterly basis to the PMG. The Authority has recently implemented the new dashboard reporting format following discussions with those charged with governance to ensure reports are clear and in a form convenient to users to allow proper scrutiny.

The Council Leader acts as the Executive Member for Corporate Strategy and Finance and has a lead role on performance management within the Authority; however there was no evidence of training available to Members on the importance of data quality within the Authority or the approach to the associated risks. There is scope for this to be incorporated into the Members development programme in future years.

Overall, there is a strong focus on ensuring data quality within the Authority. Arrangements could be improved by introducing a formal data quality strategy, developing the data quality strategy at an operational level and increasing the linkages between data quality and the corporate appraisal process for all staff involved in performance work.

Recommendation 1: Formalising governance arrangements

The Authority should ensure data quality arrangements are formalised by developing data quality objectives and policies at an operational level into delivery plans with clearly identified actions required with responsibilities and timescales on a departmental or area programme level.

Recommendation 2: Members Training

The Authority should ensure that training is made available to Members on the importance of data quality and the specific approach to managing the associated risks, as part of the Members development programme.

3.4 The policy framework for data quality

Level achieved for Policy framework: 3

This area considers the Authority's policies in relation to data quality and how they are implemented. Policies may exist at the service level, addressing the particular circumstances of each area of the Authority and outlining how the service will ensure that the corporate data quality objectives are achieved.

At an operational level the Policy and Improvement Team issue guidance to ensure data that is produced is accurate, all relevant deadlines are met and all national standards and requirements are adhered to.

As noted above there is a lack of a formal data quality policy, although there is guidance on performance management and QA issues made available to staff through training sessions and PIMS. Also there is evidence to show the Authority is proactive at informing relevant staff of changes in guidance and involving staff in the development of operational procedures.

The results of the data quality review in 2005/06 and the best value performance indicator audits in 2004/05 and 2003/04, with the low levels of adjustments, bear testament to the fact that accurate guidance is disseminated by the Policy and Improvement Team.

The Authority collects the data through PMS, which is available through the intranet to all performance staff. Operational procedures are in place for PIMS and compliance to the operational procedures is monitored by the Policy and Improvement Team, who also act as key point of contact for technical queries on the PIMS system. On the whole, compliance to the procedures is strong, with no instances of non-compliance identified.

To move to the next level the Authority need to establish and communicate a formal data quality policy

Recommendation 3: Data quality policy

The Authority should develop a formal data quality policy, supported by the existing procedure notes and guidance. The policy should cover data collection, recording, analysis, reporting and requirements in relation to partnership working.

Section 3

Audit of data quality (cont'd)

3.5 Information systems and processes

Level achieved for Information and Systems processes: 3

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

PIMS uses standard electronic documents which prompt managers to outline the system for data collection and calculation, explain their rationale for targets and account for any significant variances. Outturns will only be accepted if the standard documents have been quality-checked and signed off electronically on the PIMS system. Support for staff operating PIMS is available through the PIMS system and there is a helpdesk within the Policy and Improvement Team ('121 support').

Although some indicators will still need to be compiled using raw data from the Authority's IT systems, the interface between systems and PIMS has been considered to minimise manual calculation and the risk of human error.

Importantly, data is reviewed prior to reporting to management at both a departmental and corporate level by the Lead PI representatives and the PMG. In addition the Authority engages Internal Audit to undertake work on systems on an ad hoc basis. However, this is not part of a regular programme of testing and review to ensure systems are operating effectively with the exception of core financial systems which are considered on an annual basis by Internal Audit.

Effective arrangements are in place to ensure data is reviewed at both a departmental and corporate level prior to reporting to senior management and Members. Although the Authority has performed strongly in this area and has been able to demonstrate proactive strengthening of the performance information system, the following should be addressed if the Authority is to move to the next level:

- there was evidence of regular testing and review of systems and controls on performance information systems, however there was no formal programme for the testing of these systems; and
- reviewing areas where there is significant manual collation of data and calculation of the PI.

Recommendation 4: System testing

The Authority should ensure a formal programme for the regular testing of performance information systems and controls is developed to ensure the integrity of the systems especially where there is a high degree of manual interaction. Internal Audit should have a role in testing systems and controls if the fieldwork is primarily undertaken by the Policy and Improvement team.

3.6 People and skills

Level achieved for People and Skills: 3

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

Once these have been identified, it will be necessary to implement training programmes and briefings in order to develop staff skills.

The Authority has an established network of departmental Lead PI representatives who have responsibility for coordinating and supporting the management of performance information in their departments. Each PI has a named officer responsible for collating data, providing outturns and setting targets and all PI outturns and targets are signed off by the relevant PMG member.

Each of the roles has particular responsibilities which have developed over a period of time and the officers in these roles receive guidance and support and therefore are clear about their responsibilities.

Section 3

Audit of data quality (cont'd)

These roles and responsibilities are clearly defined and evidence was obtained that these had been included in individual's job descriptions to a certain extent within the Authority. This is scope to increase the prominence of data quality objectives in individual's goals and appraisals for the coming year to ensure staff are fully accountable for their performance in relation to data quality.

Evidence was available to demonstrate that the Authority has identified future developments which may impact on data quality staff skills and is proactively managing these through the recruitment and training processes.

Investment in training staff involved in performance has been evident in the fact that there have been no qualified indicators for the last three years. Where weaknesses are identified in performance of officers in the roles, relevant training has been provided.

Recommendation 5: Accountability

The Authority should ensure that all staff involved in data quality are accountable for their performance by increasing the performance of data quality objectives in goals and appraisals in future periods.

3.7 Using data effectively

Level achieved for Data Use: 3

In order to gain the greatest benefit from the collection of performance data, this information needs to be used in decision-making. There should be evidence of action being taken as a result of the review of performance information.

Moreover, there should be evidence of consideration of the appropriateness of performance information reported to management and members – for example, the timeliness of information, and thorough review processes by senior staff before information is presented.

The Authority's arrangements for using data are, on the whole, working well. Flexible reporting arrangements within PIMS enables the Authority to identify service delivery issues, set targets and monitor trends. Service improvement action plans (SIAPs) are one of the main mechanisms for driving improvements in key services; these are produced annually and performance against these is reviewed through the quarterly monitoring reports. One of the key aspects of SIAPs is articulating objectives and efficiencies in headline terms which help to provide a strong drive for, and focus on, improvement in the council.

The Authority has recently implemented the new dashboard reporting format to enable clearer identification of exceptions and assists senior management to properly scrutinise the data and plan and allocate resources where necessary.

There is a full audit trail through PIMS and relevant staff have received specific guidance on this as part of their QA briefings, to ensure all data returns are supported by a clear and complete audit trail.

There was evidence of management action taken to address weaknesses in service delivery identified through performance information reports. Action-based minutes from the monthly PMG meetings allow these actions to be followed up, to ensure that the action has been implemented and has been effective.

However, work performed on the Authority's arrangements for achieving value for money (VfM) in service delivery, identified areas where data could be used more effectively to explain upwards as well as downwards trends in performance. Improvement in VfM should be integral to the Authority's performance management arrangements so that the impact of key spending decisions and outcomes from the capital programme can be properly understood.

Recommendation 6: Using data to understand trends in performance

The Authority should ensure performance data is used more effectively to explain all trends in performance. Improvement in value for money should be integral to the Authority's performance management arrangements so that the impact of key spending decisions and outcomes from the capital programme can be properly understood.

There is also scope to improve the quality of information presented to members so that they can clearly compare the level of value for money provided by a service to other authorities. This could be incorporated into the development of the new dashboard reporting format.

Section 3

Audit of data quality (cont'd)

3.8 Findings of data testing

Area	Timing of work
Number of indicators tested	9
Number of indicators amended	2
Number of reservations placed	0

No indicators were reserved in the 2005/06 audit.

One indicator required significant amendment due to a misunderstanding around classification which has since been resolved. Another indicator required a minor amendment to account for the deprivation factor.

Detailed findings from our testing are outlined below:

Culture

Library Stock level per 1000 population	
Audit area	Issue
Testing	Unable to carry out testing to check whether individual books in our samples were included in the CIPFA return. This is because the stock take does not record the details of each book counted, just the number of books on the shelves (this appears reasonable considering the amount of time/resources it would take to detail every book). No amendment required to the outturn.
Library – Stock Turn (issues per 1000 population)	
Audit area	Issue
The issues identified above regarding stock level also apply to this PI.	
Deprivation factor	The deprivation factor had not been applied to the outturn as it had previously been applied by CIPFA following submission of the annual return. Slight amendment required to the outturn.
Library Cost per visit	
No issues identified	

Environment

BV 165 – Pedestrian crossings	
Audit area	Issue
Testing of compliant crossings	There was a misunderstanding in relation to the height of the dropped kerbs for compliant crossings. A height of 25mm was used in the calculations when the maximum permitted for this indicator is 9mm. An amendment was required to the outturn so that only compliant crossings were counted.
BV82a (i) & (ii) Household waste management: Recycling (Recycling)	
No issues identified	
BV82b (i) & (ii) Household waste management: Composting	
No issues identified	

Section 3

Audit of data quality (cont'd)

Housing

HIP BPSA – Average re-let times
No issues identified
HIP BPSA – Percentage of planned responsive repairs
No issues identified
HIP HSSA – Percentage of total private sector homes vacant for more than six months
No issues identified

Section 4

Use of Resources

4.1 Scope of our work

Our responsibilities under the *Code of Audit Practice* in relation to the Authority’s use of resources conclusion, and how we report to you, is set out in the following table.

Area	Timing of work	Report	Report date
Use of Resources conclusion 2005/06	August 2005-July 2006	Report to those charged with governance 2005/06	September 2006
Use of Resources topics from 2005/06 Audit and Inspection Plan	April 2005-July 2006	Annual External Audit Report 2005/06	November 2006
Use of Resources scored judgement 2006	August-October 2006	Annual External Audit Report 2005/06 *	November 2006

* Feedback on this area will be included in the Relationship Manager’s annual letter which is expected in March 2007.

This document only covers those issues set out in the 2005/06 Annual Audit and Inspection Plan which have not previously been reported.

4.2 Use of Resources topics

We have completed reviews covering the arrangements in place for the governance of the ALMO (Bolton at Home) and the regeneration programme. These reviews concluded that:

- There are strong financial governance arrangements in place between the Authority and Bolton at Home.
- The project management and governance arrangements in place over the town centre regeneration programme are good.

4.3 Use of Resources judgement

The annual use of resources assessment evaluates how well councils manage and use their financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council’s priorities and improve services, covering five themes.

- This is the second year of carrying out the assessment and our work has focused on building on our previous year’s work and updating it for any changes and improvements to the Council’s arrangements.

Judgements are made for each theme on a scale which has been standardised by the Audit Commission across inspection and performance assessment frameworks. In forming our assessment, we followed the methodology set out in the Use of Resources Guidance for Councils, 2006 assessment.

The overall score for Use of Resources assessment was reported to the Council by the Audit Commission on 1 December 2006. The Council achieved a score of X for the second year running and the five theme scores for the Council are outlined overleaf..

Use of resources judgement

Key lines of enquiry (KLOEs)	Score 2005	Score 2006
Financial reporting		
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	2	3
1.2 The Council promotes external accountability.	3	3
Financial management		
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	3
2.2 The Council manages performance against budgets.	3	3
2.3 The Council manages its asset base.	3	2
Financial standing		
3.1 The Council manages its spending within the available resources.	3	3
Internal control		
4.1 The Council manages its significant business risks.	3	3
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	3
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3	3
Value for money		
5.1 The Council currently achieves good value for money.	3	3
5.2 The Council manages and improves value for money.	3	3

We have issued a separate detailed report to the Council on the findings of the assessment and we are working with the Director of Finance to formulate an action plan to aide the improvement of the overall score for the Council going forward.