

Annual Audit and Inspection Letter 2004

Bury Metropolitan Borough Council

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Reference:	Bury MBC Annual Audit and Inspection Letter 2004 10 Jan
Date:	10 January 2005

Executive Summary

The purpose of this letter

This is our audit and inspection 'Annual Letter' for Members which incorporates the Annual Audit Letter for 2003/2004, and is presented by the council's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the council.

Appendix 1 sets out the scope of audit and inspection.

Appendix 2 provides information about the fees charged.

Key messages

Council performance

Bury Metropolitan Borough Council has improved to become a GOOD council.

It has made significant improvements to housing, adult social services, libraries and leisure and environmental services over the last year.

The council has continued to build upon its significant achievements in 2003 when it was the most improved council in the country.

It has improved the way it works, particularly in terms of its ability to support sustained service improvement, pro-actively managing its performance and planning for the future.

Further improvements are being made to the way the council links its annual priority setting with its longer term plans and in the way it engages with residents and partner agencies in that process.

Based on Bury Metropolitan Borough Council's plans, the council is well placed to continue to improve the way it works and the services it provides to local people.

The key points in the council's improvement plan for 2004 to 2007, which also outlines the current position, outcome and success measures, are:

- rationalise the corporate planning process with clearer links to the community strategy and service plans
- develop the role of scrutiny
- further develop the business continuity and risk assessment framework
- maintain the ICT investment programme
- improve research and user focus
- increase outcome focus in community planning
- increase capacity in community and voluntary sector
- develop a medium term resource plan
- develop strategic procurement.

The improvement plan both demonstrates Bury's increased corporate ability and effectiveness with aims to further develop it.

The Accounts

We gave an unqualified opinion on the council's accounts on the 19 November 2004. The earlier statutory deadlines for the accounts were successfully achieved. The council is in a sound position for meeting future earlier deadlines but strong project management will be needed to bring the date forward one more month as will be required in 2006.

Financial position

The council's financial position is sound and well managed. However the council is reminded that reserves are being used to help manage the short term position and that this is not a long term solution to financing spending levels. Particular pressures are evident from the Social Services budget. Bury must continue to address the complex needs of Social Services whilst preparing and balancing its wider budget.

Governance issues

Standards of financial conduct

Bury's arrangements for standards of financial conduct and the prevention and detection of fraud and corruption continue to accord with sound practice. However, awareness of Bury's governance and anti-fraud arrangements needs to be shared more fully with Councillors and staff.

Statement on internal control

The transitional plan at the end of Bury's 2003/2004 Statement on Internal Control identified key actions for the council. These need to be addressed and a more detailed plan is needed for the 2004/2005 accounts.

Information and communication technology

Bury has a significant programme to update the investment in an information and communication technology infrastructure. Careful project management, significant training and process reengineering are required to realise the benefits as the new systems are implemented over the next few months.

Action needed by the council

Further progress is planned as Bury:

- *implements its improvement plan*
- *develops its medium term finance strategy*
- *promotes awareness of Bury's governance and anti-fraud arrangements*
- *prepares the statement of internal control and action plan*
- *completes the implementation of IT infrastructure having regard to wider issues.*

Council Performance

CPA Scorecard 2004

Bury Metropolitan Borough Council has improved to become a GOOD council.

It has made significant improvements to housing, adult social services, libraries and leisure and environmental services over the last year.

The council has continued to build upon its significant achievements in 2003 when it was the most improved council in the country.

It has improved the way it works, particularly in terms of its ability to support sustained service improvement, pro-actively managing its performance and planning for the future.

Further improvements are being made to the way the council links its annual priority setting with its longer term plans and in the way it engages with residents and partner agencies in that process.

Based on Bury Metropolitan Borough Council's plans, the council is well placed to continue to improve the way it works and the services it provides to local people.

- overall service performance at December 2004 increased to 4 out of a possible 4.
- the way the council is run was judged to measure 2 out of 4 in August 2004.

CPA Element	Assessment	
	2004	2003
OVERALL	GOOD	FAIR
Service performance	maximum 4	maximum 4
• education	4	4
• social care (children)	3	3
• social care (adults)	3	2
• benefits	3	3
• housing	3	2
• environment	3	2
• libraries and leisure	4	3
• use of resources	4	4
Overall service	4	4
How the council is run	2	2

CPA Improvement Report

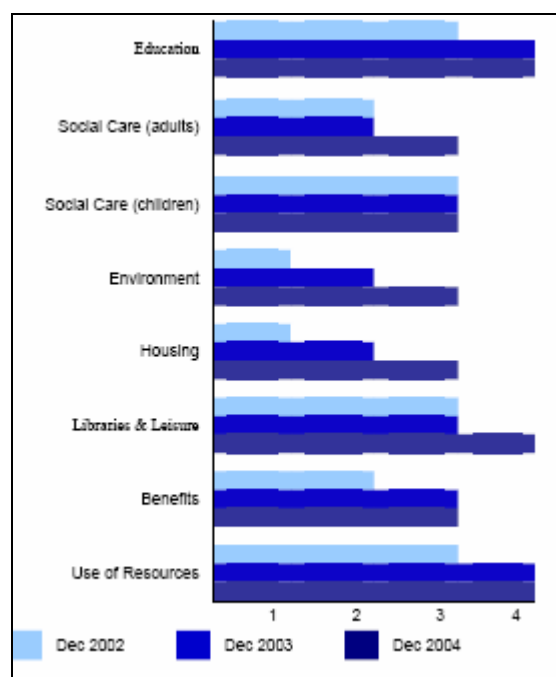
The council's approach to securing continuous improvement has been assessed so that the progress that the council has made on its priorities for improvement over the last CPA can be reported on. The council's overall achievement, priorities, future plans and ambitions are considered, along with the council's focus, capacity, performance management, and investment.

The key challenge for the council in the past year has been to translate the improving and good service performance into corporate strengths. In order to do this, the council has identified improvement priorities and integrated these into the corporate agenda through its improvement programme.

Achievement

Overall, the council's service performance has continued to improve during the year and now compares favourably with some excellent councils.

The council has successfully sustained high service performance levels while improving others. This improvement is additional to the substantial improvement evidenced in 2003 when Bury was proclaimed the 'most improved council in the country' by the Audit Commission.



In addition, Bury is one of the five councils identified by the Audit Commission's national CPA 2004 report as improving at least one category for the second successive year.

These significant achievements are summarised as follows:

SUMMARY OF SERVICE PERFORMANCE

Education

DfES have maintained their views about Bury services. The OFSTED inspection in 2003 found Bury to be the fourth best that year and was very positive in its comments.

For CPA purposes OFSTED have assessed Bury LEA's current performance as **three star** with **proven** indications of improvement and a **secure** capacity to sustain improvement.

Social services

Services for children

The Commission for Social Care Inspection (CSCI) Annual Review Letter assesses services for children as serving **most** people well with a **promising** capacity for improvement and comments:

"In terms of performance, there have been a number of areas where indicators have demonstrated improvement in 2003/4. These are particularly around the areas of child protection and the life chances of looked after children. The council is however aware of the need to improve performance in respect of care leavers education and employment, and has developed an action plan to address this.

There has been good progress on the development of strategic planning in children's services, driven through the Children and Young People's Strategic Partnership. The development of a joint social services/ health/ education strategic planning post is likely to support the move towards the implementation of the Children's Bill in terms of establishing a Safeguarding Children Board and an Integrated Children's Service".

Services for adults

The CSCI Annual Review Letter assesses services for children as serving **most** people well with a **promising** capacity for improvement. Services for adults have improved from 'some'. CSCI comments:

"The council is continuing to modernise its service delivery to promote the independence of adults and older people, increasingly through strategies and services which are integrated with health partners. Bury has established joint working arrangements in terms of an integrated community equipment store, a pooled budget arrangement for its learning disability service and joint management arrangements for

mental health services. The council is however aware of the need to progress further with its integration agenda across other areas of adult services.

There has been improvement in a number of key areas demonstrating the increasing levels of support for people in the community alongside reductions in the numbers of people being admitted to residential and nursing care. Support for Carers through the Carers Strategy is also a strength.... There are a number of areas however where there is further work to do..... The council is aware of these and has already put into place plans and strategies that should improve performance further in the coming year."

Prospects for improvement

CSCI Annual Performance Rating for Social Services is two stars out of a possible three, which shows capacity for future improvement:

- many good Performance Assessment Framework Performance Indicators
- performance management systems linked with service and business planning at departmental and service level have been strengthened
- human resources strategies are having a positive impact on staff sickness levels.

CSCI notes *"The council is aware of the importance of managing its budget effectively through improved knowledge and performance monitoring, and has taken steps to achieve this. It is anticipated that this will be an area which will see further improvement in the coming year"*.

Benefits

The Benefits Fraud Inspectorate's (BFI) Improvement Reporting noted some improvements in service in quality standards which would be sufficient to increase the overall assessment. However, the BFI also took account of the Best Value Performance Indicators in respect of the average time to process new claims and to process changes of circumstances for 2003/2004 and for the first 3 months of 2004/2005. The BFI found *"These indicators show that the average time to process new claims and the average time to process changes of circumstances have both deteriorated."* This meant that the BFI's overall assessment was: *"Bury's Benefits service is providing a **Fair** level of performance".* The council worked with BFI's Performance Improvement Action Team to target its backlog, and told the BFI that by the beginning of September 2004, the backlog had been cleared and performance against the BVPIs was improved.

Housing

The performance indicators aspects of service delivery improved including:

- average relet time in days
- percentage of responsive repairs for which the authority both made and kept an appointment (where data had not been collected last year)
- reduced stays in hostel accommodation.

Bury is seeking further improvements as it develops its Arms Length Management Organisation, 'Six Town Housing' working with Housing inspectors in the early stages. A full ALMO inspection is scheduled for Autumn 2005.

Environment

The council has undertaken action to improve its performance in environmental services and has improved its waste management performance and environmental health.

An Audit Commission waste management inspection covering refuse collection, recycling and street cleansing in Summer 2004 found "a **good** service with **promising** prospects for improvement". The inspection particularly commended:

- "the aims for waste management identify a strong contribution to corporate priorities, particularly on improving the environment and liveability.
- "recycling and composting rates are continuing to improve and the council exceeded its Government set target for recycling and composting in 2003/2004; in total 9.3 per cent of waste was recycled or composted"

and identified some aspect to improve including:

- "the cleanliness of the environment is not fully meeting user's expectations and perceptions.
- "the availability and use of performance information to analyse and identify service improvements is under-developed
- "the council does not yet have a formal policy or targets for reducing its own waste production".

Libraries and Leisure

An improved assessment of the library plan by the Department of Culture, Media and Sport (DCMS), some top quartile performance indicators and a "good" inspection result from 2003 means these services have achieved the top level of performance.

Performance indicators

Performance indicators continue to improve across the majority of service areas. A keen understanding of performance indicators is demonstrated making them a helpful tool for the council's performance management. We encourage the council to continue its good work.

Best Value Performance Indicators (BVPIs), including those used for CPA assessment, continue to improve, along with the improvement assessed in CSCI social service Performance Assessment Framework (PAF) indicators and in other local performance indicators.

PERFORMANCE INDICATORS

BVPI improvement	2003/2004	2002/2003
BVPIs in top half of PIs nationally	59%	51%
BVPIs improving	57%	80%

Source: Audit Commission data

The sound preparation systems for BVPIs is notable and a major improvement over the last two years. A keen understanding of performance indicators and of their supporting performance arrangements is demonstrated, making them a helpful tool for the council's performance management. We encourage the council to continue its good work here.

Of the BVPIs we audited in 2004, there were no reservations as to their accuracy (2003, one) and there were only three significant amendments compared to six in the previous year.

A recent report to the Performance Management Scrutiny Committee identified that the council is continuing to improve its measurable performance in the first six months of 2004/2005. Many of the BVPIs were on target to improve. Ten of the twelve Local Public Service Agreement targets were also on target to being achieved. However although still within tolerance the following performance indicators were identified as showing a worsening position:

- percentage of children leaving care with qualifications
- number of people killed or seriously injured on the roads

- number of library borrowers
- the percentage rate of re-offending for all young offenders
- the average number of offences committed by persistent offenders.

Early identification from the performance management system allows the council to review its approaches to these areas as appropriate.

Other achievements

- advanced planning of major schemes to regenerate the Borough
- partnership working in respect of:
 - the pooled budget for learning disabilities with the NHS
 - successful integration of services for vulnerable people
 - crime reduction work
- winning the Connexions contract allowing to development of services to younger people
- joint working and case transfer protocols for carers services and mental health services.

Summary

All of these achievements go towards one of Bury's visions of:

"Making the Borough of Bury a great place in which to live, work, study and visit".

Corporate processes

Bury is committed to its improvement programme. An open and enthusiastic attitude is evident. The council has developed an ability to seek and ask for help, listen and learn, contributing to driving the improvement programme along. The council recognises they have areas to work on to continue to improve, and to build on the momentum in 2003. Based on its current plans the council is well placed to deliver this.

Last year the key areas for Bury to progress were identified. It is very positive to note significant improvement and development in all of these:

Significant corporate developments made

- further development of the performance management framework with demonstrated effectiveness
- use of the project management system
- implementation of risk management and fostered an understanding of same
- policy led budgets, building on the medium term financial strategy and now developing departmental medium term financial strategies
- continued work on developing an outcomes based performance framework using 'measuring what matters' and user focus
- progressing the ongoing and significant planned Information Technology developments
- extended the Investors in People accreditation to all departments by May 2004.

Corporate assessment

The corporate assessment concluded in August 2004 that the council had improved significantly in its abilities to improve its overall management. However, the assessment was just short of moving up one category. The way the council is run was judged to measure 2 out of 4.

Improvement in relation to corporate activities was reviewed in a corporate assessment by the Audit Commission in February 2004 and the final report published in August 2004. The assessment covered the council's **priorities, future plans and ambitions, focus, capacity, performance management, and investment.** The following summary is extracted from the published Corporate Assessment, which has informed Bury's current improvement plan.

CORPORATE ASSESSMENT REPORT

Extracted summary of corporate assessment

Since the corporate assessment in 2002, Bury Metropolitan Borough council has made considerable progress in improving the way it is run. The council can point to a significant number of planned improvements across key services. Whilst it is too early to be sure how sustainable the improvements will be the progress to date is very encouraging.

The council has become clearer about its ambitions and has put in train actions to help achieve them. Effective political and managerial leadership and strengthened corporate capacity have helped to drive significant change across the council. Its approach to annual priority setting is a strength but the linkage to the corporate plan is complex. It is unclear how the annual priorities underpin the longer term aspirations of the council.

The council has improved its capacity to support service improvements and the way that it manages its performance. Service performance has improved considerably, as reflected in the service assessments published in December 2003. In spite of being a low spending authority, Bury's education service is one of the highest rated in England, and there have been improvements in environment, housing and benefits services. Nearly 80 per cent of performance indicators improved in 2002/2003. However, in some areas, such as housing and benefits, reported performance is still only average.

Investment in the building blocks for future delivery has continued with good progress being made across a number of areas. Approaches to performance management, project management and human resources have all improved. In addition, the council has used CPA to drive change throughout the organisation but some of these investments are still relatively recent. IT investment is ongoing which will result in real improvements longer term. The council's approach to procurement, scrutiny and medium term resource planning is ongoing.

The council has commissioned extensive training and development for its staff and for councillors, and has been learning from its own experience. Through active participation in organisations such as the Association of Greater Manchester Authorities (AGMA), it has also been learning from others' experience. It recognises that it has more to do before learning becomes a natural part of individuals' day to day work.

The council is clearly willing to tackle difficult issues, and has an established means of reviewing future plans. The community strategy is being revised to make it more outcome focused, and the council is considering the future role of the area boards.

Audit Commission Corporate Assessment August 2004

Ongoing corporate development

Bury's achievements were recognised by the Audit Commission in the CPA 2004 national report, where as a case study, Bury is one of the five councils identified as improving for the second successive year. The report describes, in the council's words, the practices that have led to these improvements and that are planned to lead to more.

Bury's approaches that lead to improvement

"...the council has a long-term strategy to offer first class services with first class staff. In addition, receiving a 'weak' label in 2002 galvanised the organisation into action. Four key features can be identified:

- *Clear leadership through prioritising what's important..... managing a very large change agenda*
- *Robust processes to support achievement.....*
- *Inclusive capacity building. The concept of 'Team Bury' has helped everybody to pull together to deliver the council's promises through a more empowered workforce and increased levels of delegation*
- *Never satisfied. We are always looking to learn – from each other, external inspections and support, including numerous joint projects with the Audit Commission to develop our thinking and processes, and from other organisations....."*

Future development

The key points in the council's improvement plan for 2004 to 2007, which also outlines the current position, actions planned and outcome and success measures, are:

- Rationalising the corporate planning process with clearer links to the community strategy and service plans
- Developing the role of scrutiny
- Development of the business continuity and risk assessment framework
- Maintaining the ICT investment programme
- Improving research and user focus
- Greater outcome focus on community planning
- Increase capacity in community and voluntary sector
- Develop a medium term resource plan
- Develop strategic procurement.

The improvement plan both demonstrates the increased corporate ability and effectiveness with aims to further develop it.

Other performance work

Performance Plan

Our audit opinion on the 2004/2005 Best Value Performance Plan was unqualified and we made no statutory recommendations. The Plan's content remained of a high standard and complied with the contents requirements.

(Other comments about performance indicators are recorded earlier)

Working with other inspectorates and regulators

An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the council's performance. These include:

- OFSTED;
- Commission for Social Care Inspection (CSCI);
- Benefits Fraud Inspectorate (BFI);
- DfES; and
- Regional Government Office contact.

We share information and seek to provide 'joined up' regulation to the council. We have incorporated their work in the achievement section.

Ongoing performance work

Some performance work from the 2004/2005 audit and inspection programme programme, we have agreed with the council, is underway. The current position of our work, if it is not reported elsewhere in our Letter, is described:

PERFORMANCE WORK IN PROGRESS

User Focus

The focus on users is key to the Audit Commission strategy and to authorities. We are reviewing the council's focus on users and how this is achieved. Similar work is being undertaken at other metropolitan authorities and the Audit Commission will share good practice. The work will be reported early in 2005.

Early points show that Bury MBC is committed to user focus and has a structure within which community engagement can take place. The council could further improve by:

- collating the range of information available
- evaluating the effectiveness of user focus and community engagement.

The detailed review will be discussed with senior managers shortly.

Measuring what matters

We are working with Bury on the improvement programme exploring ways of developing an outcomes based performance framework using the Audit Commission publication 'measuring what matters' and user focus work above. Focus groups have been run and ways to review outcomes are being considered.

Home to school transport

A review of home to school transport service provision in Bury has recently commenced. An initial meeting has been held and a brief for the work is being prepared.

All of this work will be reported at relevant stages.

Accounts and Governance

Your overall corporate governance arrangements are satisfactory in most key areas.

Auditor judgements on the following areas formed part of the CPA use of resources assessment, which was rated 4 out of 4 overall. However, within these financial judgements there are areas to continue to improve.

Audit of 2003/2004 accounts

We gave an unqualified opinion on the council's accounts on the 19 November 2004. The earlier statutory deadlines for the accounts were successfully achieved. The council is in a sound position for meeting future earlier deadlines but strong project management will be needed to bring the date forward one more month as will be required in 2006.

We have agreed with officers certain areas where the qualitative aspects of accounting practices and financial reporting can continue to be improved and will continue to work with the council to achieve this and the earlier reporting deadlines.

Preparation of accounts

Bury MBC's draft financial statements for 2003/2004 were approved for the council by the Audit Committee on 29 July 2004, one month in advance of the statutory deadline of 31 August 2004. This places the council in a good position for next year's 31 July 2005 deadline. Continued strong project management is needed to repeat this achievement in 2005 and to bring the date forward one more month, as required for 2006. We are not anticipating any advance in 2005 as the council's finance staff will also be engaged in the transfer of records to the new accounting system in March / April 2005.

Opinion

We were able to give an unqualified opinion on Bury's accounts on 19 November 2004, a month earlier than the previous year and following some amendments. Amendments were necessary to improve the presentation of the accounts. The amendments should also be

viewed in the context of the successful early closure of the accounts this year.

We have agreed with officers a number of areas where the qualitative aspects of accounting practices and financial reporting should be improved. The most significant refer to:

- timeliness and review of bank reconciliations
- capital accounting treatments
- timely preparation of the cash flow statement
- obtaining signed partnership agreements for all pooled budgets involving Bury MBC.

The action plan will address the issues identified above and seek to secure improvements to the Authority's arrangements for preparation of the financial statements.

Report to the council

We are required by professional audit standards to report to those at the council charged with governance issues arising from our financial audit, before we give our audit opinion on your financial statements. In Bury's case, the Audit Committee is responsible, and to whom we reported on 9 November 2004.

The Committee approved the Director of Finance and E-Government's proposed treatment of the matters arising and the resulting revised set of accounts and the proposed action plan above.

Financial standing

The council's financial position is sound and well managed. However the council is reminded that reserves are being used to help manage the short term position and that this is not a long term solution to financing spending levels. Particular pressures are evident from the Social Services budget. Bury must continue to address the complex needs of Social Services whilst preparing and balancing its wider budget.

FINANCIAL PERFORMANCE 2003/2004

Financial area	Performance to 31 March 2003
General Fund net budget of £189.9m	Within budget overall by net £0.3m, excluding commitments to schools budgets. Within this were under and overspends. The social services overspend is discussed in following paragraphs
Reserves:	General Fund Reserves at March 2004 were £4.3m (2003 £6.7m) after commitments to schools. Reserves have fallen in line with budget strategy. The Director of Finance and E-Government is of the view that a minimum balance of £2.8m should be retained in the Fund to meet unforeseen eventualities
School balances	Net school balances at March 2004 were £3m (March 2003 £1.9m and £2m relating to Standards Fund). Accumulation of surpluses or deficits for the individual schools have been reported: <ul style="list-style-type: none"> deficits are reduced and are eliminated in 2004/2005 budgets by 2006 the surpluses will be largely used in managing for falling pupil numbers
Capital expenditure	Capital expenditure slipped by £8.1m (2003 £5.3m) on the revised capital programme of £39.1m (2003 £30.1m). New project management systems are being used to deliver the work and operational slippage was £3.6m. The balance is attributed to timing of funding and to delays on the housing business plan
Housing Revenue Account	Housing Revenue Account reserves increased by £1.1m to £4.9m (£3.8m at March 2003.). Planned contributions to capital were not required in the year (see above). Rent arrears remained at 2003 levels of £1.6m
Debt collection compared with average for Metropolitan councils	A strong and improved recovery position for 2003/2004: <ul style="list-style-type: none"> NNDR 98.9% (98.5% in 2003) average 97.8% Council Tax 97.4% (97.3%) average 95.6%

Key aspects of Bury's financial performance are:

- effective budget management and monitoring with clear reporting and responsibilities
- current medium term financial planning of funding for revenue and capital which is being extended to individual services
- good procedures put in place such as risk assessments and plans to make use of affordable borrowing under the prudential code
- high levels of debt collection
- thorough implementation of the new prudential code.

Social service budgets

Our work programme included a review of how social services managed budget demands. The final overspend for 2003/2004 was £1.2m, showing that difficulties in budget management were still evident. Pressures arose from childrens agency placements, external placement for people with learning disabilities and from the cost of care in the community.

The council allocated an additional £1.2m to Social Services base budget for 2004/2005 in recognition of these pressures. Budget pressures over and above of £2.7m were estimated.

The council is committed to improving the financial management of the Social Services Department. This is demonstrated by the corporate support provided to improve budget setting and monitoring, plans for the procurement of a new ledger system and through additional resources allocated to meet increased budget pressures.

The key recommendations from our review are:

- ensure that unfunded budget pressures are fully considered and managers are informed of action to be taken to contain expenditure within budget
- continue to develop the social services medium term financial strategy and communicate it
- establish interim arrangements for improved budget monitoring pending the implementation of the new ledger system
- introduce budget monitoring against individual specific grants.

Future position

The major probable overspend identified from 2004/2005 in year budget monitoring again relates to Social Services, although pressures are evident in education non schools budgets. Measures have been taken mid year to address these. As a result the position is being closely monitored and managed. It is currently estimated there will be an additional use of reserves of £0.7m.

Provisional early figures for the 2005/2006 budget have identified a potential £1.7m shortfall if there was a standstill budget and a 6.7% Council Tax rise including all precepts. In addition the 2004/2005 overspending will need to be addressed and service bids for specific developments and pressures considered such as are evident from Social Services and from Education as a result of falling pupil numbers. Whilst the council has some reserves available, they are not a long term solution to financing spending levels. This sets the background for a complex and pressured 2005/2006 budget.

Bury must continue to address the complex needs of Social Services whilst preparing and balancing its wider budget.

Systems of internal financial control

Bury has sound systems of internal financial control. The quality of the work of Internal Audit is good.

Internal Audit

Our assessment is that internal audit provides an effective service overall.

Internal Audit report regularly to the Audit Committee, which allows consideration of the key points arising from their work programme.

Audit Committee

The Audit Committee was re-constituted in 2004/2005 municipal year from its former sub-committee status. Councillors from both the 2003/2004 sub-committee and the 2004/2005 full committee have worked diligently to address the sometimes complex financial and other issues presented. Their involvement helps to raise general understanding of issues, raises useful questions and prompts the authority's action.

Standards of financial conduct

Bury's arrangements for standards of financial conduct and the prevention and detection of fraud and corruption continue to accord with sound practice. Bury continues to support the National Fraud Initiative. Awareness of Bury's governance and anti-fraud arrangements needs to be shared more fully with Councillors and staff.

Overall arrangements are in place to ensure that the council's affairs are managed in accordance with proper standards of financial conduct, and prevent and detect fraud and corruption. We note the:

- thorough approach by Internal Audit to fraud and other special investigations
- established council approach to the Audit Commission's National Fraud Initiative (NFI)

Last year we noted it was necessary for the council to promote awareness of the Bury's governance and anti-fraud arrangements more completely to Councillors and staff. This would include some awareness training and general publicity. Whilst presentations on these matters have been made to the Standards Committee, the whistle blowing policy was only recently circulated to staff. We would encourage you to add to your sound practices by completing these actions and refreshing them on a regular basis.

National Fraud Initiative

The council takes part in the Audit Commission's national fraud initiative (NFI). The NFI, which is undertaken every two years, brings together data from local authorities, NHS bodies, government departments and other agencies, to detect a wide range of frauds against the public sector. Total savings from the 2002/2003 exercise exceeded £83m nationally.

The Commission are repeating the exercise in 2004/2005 year and will again collect payroll, pensions, housing benefits, student loan and housing rents data from authorities. Alongside the core exercise a number of pilot initiatives are being undertaken at selected sites. These are focused on risk areas that were highlighted by authorities and include payments made to privately run care homes, abuse of blue badge parking permits, serial insurance claimants and duplicate payments to suppliers. These pilot

areas, if they prove effective, will be incorporated into future NFI exercises. Bury plans to participate in the pilots in Greater Manchester.

Legality of transactions

We have not identified any significant weaknesses in the framework established by the council for ensuring the legality of its significant financial transactions.

Procedures remains sound as described last year.

Other governance issues

Statement on internal control

The transitional plan at the end of Bury's 2003/2004 Statement on Internal Control identified key actions for the council. These need to be addressed and a more detailed plan is needed for the 2004/2005 accounts.

A specific development during 2003/2004, arising from the Accounts and Audit Regulations 2003, was for all councils to include in their financial statements a statement on internal control (SIC) signed by the Chief Executive and leading Councillor. The statement in many Councils followed professional guidance from CIPFA and generally took advantage of transitional arrangements as happened in Bury.

The external auditor is required to review whether the SIC reflects compliance with CIPFA's guidance and report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information the auditor is aware of.

The statement is far wider than financial control, which is included, as it relates to the whole governance of the council. It is also an important part of the Audit Commission's new Code of Audit Practice and as such, it requires planning and organising to take account of the wide procedures in the council both internal and external in respect of performance management, financial management, legal issues and general governance.

The transitional plan at the end of Bury's SIC identified key actions to be addressed. A more detailed plan is needed for 2004/2005.

BURY'S STATEMENT ON INTERNAL CONTROL

Extract of The council's conclusions and actions

No significant internal control issues have been identified, and based on the various assurances given, satisfactory corporate governance arrangements are deemed to be in place and working effectively.

However, in order to ensure continual improvement, the following are our immediate priorities:

- Develop a series of assurance statements which will allow our executive directors to measure and report on the degree of assurance they obtain from the framework. The intention will be to jointly address any shortfalls.
- Take the development of our Risk Management function on to the next stage following the appointment of a dedicated risk manager.
- Introduce an annual Monitoring Officer's report which will incorporate a review of the Local Code of Corporate Governance.

The Director of Finance and E Government will report annually on the Local Code of Corporate Governance.

Risk management

Our review found the council's risk management strategy compares well against the approach taken by councils elsewhere in the country.

It contains clear roles and responsibilities for those people involved in risk management starting at a corporate level down to individuals responsible for delivering front line services. The council has developed:

- solid foundations and is implementing its strategic approach to risk management.
- its approach at a corporate and departmental level.

Actions completed or in the process of being implemented to take forward the strategy include:

- all reports submitted to councillors contain the risk implications of the proposals being made
- risk reporting is a component of the stages in project management
- risk implications of policy led budgeting proposals and decisions are identified
- training to raise the awareness of risk management has taken place involving councillors, management team and departmental management teams.
- a corporate risk register has been produced.

The next stage will be further in line with the council's plan by:

- managing and reducing those risks identified on the using the corporate risk register
- taking the risk management approach down to an operational level
- completing the reviews scheduled on the effectiveness of the strategy and the associated actions.

By ensuring the actions and timescales contained in the action plan are achieved, the council has a real opportunity to have a comprehensive risk management strategy.

Information and communication technology

Bury has a significant programme to update the investment in information and communication technology (ICT) infrastructure. Careful project management, significant training and process reengineering are required to realise the benefits as the new systems are implemented over the next few months.

Bury have developed an ambitious improvement programme underpinned by investment in and implementation of an information and communication technology (ICT) infrastructure to support a new suite of corporate and departmental applications. The results of our review have recently been presented to management team and an action plan is being prepared. Our detailed review found:

ICT AND E GOVERNMENT

Summary of our review

There is evidence that the e-government improvement programme will support the delivery of improved outcomes for customers, improved support services, efficiency savings and new ways of working.

There are broadly effective arrangements for the management of the change but these are inconsistently applied throughout the delivery of the programme.

Projects follow a corporate methodology. However, there has been variable application of business process re-engineering and there is no clear framework to ensure that common benefits are identified.

Key areas for attention are:

- reviewing the impact of investment in improved customer access from a service user perspective with a particular focus on inclusion issues
- developing key officers awareness and contribution to the overall change programme through target setting and performance management arrangements
- introducing a quality framework within the Bury project management methodology to provide assurance that risks are being managed effectively and that realistic benefits are being identified and achieved

Other work

Grant claims

Over recent years the number of claims requiring audit certification has grown and audit fees have risen in line with this growth. In accordance with Strategic Regulation, the Audit Commission has adopted a more risk-based approach to the certification of grant claims. With effect from 2003/2004 the smaller claims have not been subject to audit or have received a lighter touch. The approach to larger claims has been determined by risk and the adequacy of the council's control environment.

Bury's claims programme has benefited from smaller claims no longer requiring an audit. We continue to work with officers on improving the control framework to realise other benefits of the new Audit Commission guidance. It is important Bury controls the smaller grants and others which do not require audit to ensure due funds are claimed as appropriate.

Looking Forward

Future audit and inspection work

We have an agreed plan for 2004/2005 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2004/2005 accounts, will be reported in next year's Annual Letter. We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the council.

From 2005/2006, the external audit will be the responsibility of KPMG who will start their planning round in early 2005. The Relationship Manager will continue to be from the Audit Commission and will plan the inspection programme. There will inevitably be overlap as the current audit team complete their responsibilities for 2004/2005.

We will continue to work with other inspectorates and regulators and new auditors to develop a co-ordinated approach to regulation.

Revision to the Code of Audit Practice

The Audit Commission has consulted on a revised Code of Audit Practice for application to the audit of the 2005/2006 accounts. The new Code, which will be laid before Parliament in January 2005, is designed to secure:

- a more streamlined audit, which is proportionate to risk and targeted on areas where auditors have most to contribute to improvement;
- a stronger emphasis on value for money, focussing on bodies' corporate performance and financial management arrangements (rather than individual services and functions); and
- better and clearer reporting of audit results

Further details will be provided in the Audit and Inspection Plan 2005/2006.

CPA 2005 and beyond

The Audit Commission has also consulted on a new framework for CPA in 2005 and beyond. The main changes proposed are as follows:

- rationalisation of service blocks.
- 'achievement' assessment element of Corporate Assessment to be driven by review of Community Plan and shared priority themes.
- move away from rigid numerical model, to one based on rules.
- corporate Assessments to be undertaken on rolling programme, integrated with Joint Area Reviews of children and young people.

- stronger focus on service delivery for users and customers.
- more robust and explicit view of vfm and cost-effectiveness.

Closing remarks

This letter has been discussed and agreed with officers. A copy of the letter will be presented to the Executive on 12 January 2005 and at the Audit Committee on 20 January 2005.

The council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

Availability of this letter

This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the council's website.

Clive Portman
District Auditor, Relationship Manager

10 January 2005

Status of our reports to the council

Our annual audit and inspection letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Annual audit and inspection letters are prepared by relationship managers and appointed auditors and addressed to members and officers. They are prepared for the sole use of the audited and inspected body, and no responsibility is taken by the Audit Commission or its appointed auditors to any member or officer in their individual capacity, or to any third party.

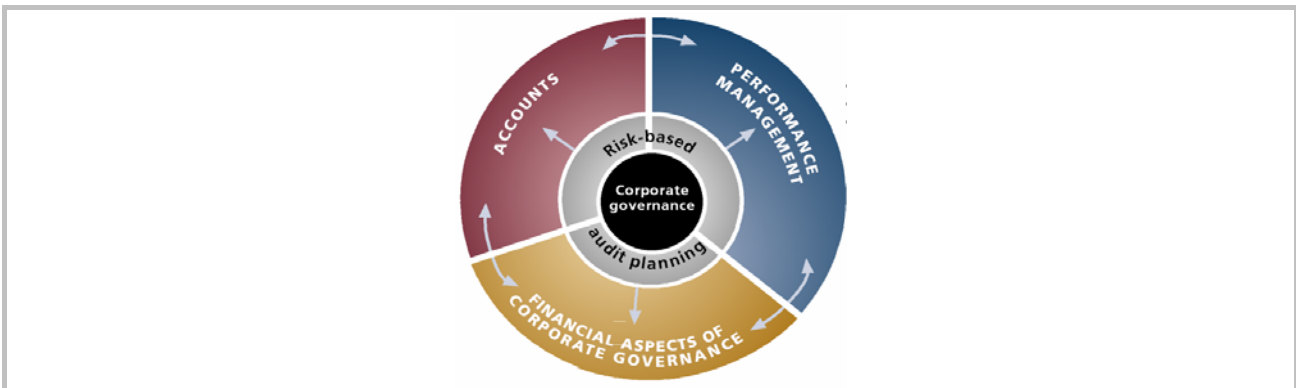
Scope of audit and inspection:

Audit

Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.

Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Exhibit 1.

The three main elements of our audit objectives



Accounts

- Opinion.

Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct & the prevention and detection of fraud and corruption.
- Legality of transactions.

Performance management

- Use of resources.
- Performance information.
- Best Value Performance Plan.

Inspection

Inspection work is based around section 10 of the Local Government Act 1999, which requires us to carry out inspections and deliver reports that will:

- enable the council and the public to judge whether best value is being delivered;
- enable the council to assess how well it is doing;
- enable the Government to assess how well its policies are being implemented; and
- identify failing services where remedial action may be necessary.

The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.

Audit and Inspection fees

Audit fee update

Audit area	Plan 2003/2004 £'000	Actual 2003/2004 £'000
Accounts	50	50
Financial aspects of corporate governance	62	62
Performance	112	112
TOTAL CODE OF AUDIT PRACTICE FEE	224	224
Grant Claim certification	130	130*
Additional Voluntary work (under Section 35)	0	0

**The grant claim actual fee reported is our current estimate of the likely fee for the 2003/2004 certification work, some of which is in progress.*

Inspection fee update

The 2003/2004 inspection fee is £108,000 and 2004/2005 is £64,000. The work reported in this audit and inspection letter has been funded by an element of the fee covering 2003/2004 and by an element of the fee covering 2004/2005. In both years the actual fee will be in line with that planned.