External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission’s statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

**Status of our reports**

This report provides an overall summary of the Audit Commission’s assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

**Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.
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Key messages

1. South Gloucestershire Council is improving well. It maintained its overall Comprehensive Performance Assessment (CPA) rating of three stars in 2007. Many services have improved, in line with the Council’s priorities.

2. Older people and disabled people are better supported to live at home. Children’s test results at Key Stages 1, 2 and 3 are higher than the national average. Key Stage 4 results have improved. Many homes are being improved following the successful transfer of council housing to Merlin Housing Society. In partnership with others, the Council has reduced burglaries and improved waste recycling. Performance in the speed of deciding planning applications is showing some signs of improvement but needs to improve more. South Gloucestershire Council is a relatively high performing council in many services. But, overall, services measured by the most recent national indicators are improving more slowly than other councils, and the Council needs to keep this under review.

3. The Council has improved its use of resources and is achieving good value for money. It has quickly and effectively developed new strategies and priorities following the election of the new Council in May 2007, building on the success of previous plans. They include clear priorities for better customer care, more training for staff and councillors, stronger partnerships and more efficient working practices.

4. The Council improved some important aspects of how it manages and controls its finances, and continues to have strong arrangements to promote probity and propriety. We issued an unqualified opinion on the Council’s 2006/07 financial statements.

5. We found some aspects of the Council’s accounting practices and financial reporting needed further improvement, especially the quality of working papers provided to support the audit.

6. The Council improved further its arrangements for improving value for money, notably with its Member Efficiency Group identifying a programme of Service Reviews designed to address any areas where costs are not comparable with other authorities.

7. The Council has continued to communicate its partnership approach both internally and externally as it has evolved, although there is still more to be done to raise the profile of partnership working, to communicate the added benefits it brings and to celebrate success and good practice.
Action needed by the Council

8 Build on the progress already made to improve partnership working by continuing to communicate the Council's approach to working in partnership both internally and externally, raising the profile of partnership working, communicating the added value it brings and celebrating success and good practice.

9 Maintain the council's strong focus on value for money in line with its high priority for being an efficient and well-run council. Continue to develop councillors' involvement in understanding costs and the comparative performance of services, building on the success of the Member Efficiency Group.

10 Maintain the Council's comparative high performance. Evaluating comparative rates of improvement with other councils is an important source of learning and useful to help manage and improve performance. South Gloucestershire Council is a relatively high performing council in many services. But, overall, the Council’s services measured by the most recent national indicators are improving more slowly than other councils. To help maintain its comparatively high performance, the Council should keep the issue of its comparative performance with other councils, as measured by relevant national indicators, under review, and use this to inform its policies and priorities.
Purpose, responsibilities and scope

11 This report provides an overall summary of the Audit Commission’s assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), at the end of 2007, the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.

12 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.

13 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.

14 Your appointed auditor, Richard Lott, is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:

- the Council’s accounts;
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
- whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.

15 This letter includes the latest assessment on the Council’s performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission’s duty under section 13 of the 1999 Act.

16 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.
How is South Gloucestershire Council performing?

The Audit Commission’s overall judgement is that South Gloucestershire Council is improving well and we have classified the Council as three-star in its current level of performance under the Comprehensive Performance Assessment (CPA). These assessments have been completed in all single tier and county councils with the following results.

**Figure 1**

<table>
<thead>
<tr>
<th>Direction of travel against other councils</th>
<th>Performance against other councils</th>
</tr>
</thead>
<tbody>
<tr>
<td>improving strongly</td>
<td>4 star</td>
</tr>
<tr>
<td>improving well</td>
<td>3 star</td>
</tr>
<tr>
<td>improving adequately</td>
<td>2 star</td>
</tr>
<tr>
<td>not improving adequately / not improving</td>
<td>1 star</td>
</tr>
<tr>
<td></td>
<td>0 star</td>
</tr>
</tbody>
</table>

Source: Audit Commission

Councils with a CPA star rating under review or with a direction of travel judgement that is subject to review are excluded from this analysis
How is South Gloucestershire Council performing?

The detailed assessment for South Gloucestershire Council is as follows.

**Our overall assessment - the CPA scorecard**

<table>
<thead>
<tr>
<th>Element</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direction of Travel judgement</td>
<td>Improving well</td>
</tr>
<tr>
<td>Overall</td>
<td>3 star</td>
</tr>
<tr>
<td>Corporate assessment/capacity to improve</td>
<td>3 out of 4</td>
</tr>
<tr>
<td>Current performance</td>
<td></td>
</tr>
<tr>
<td>Children and young people*</td>
<td>3 out of 4</td>
</tr>
<tr>
<td>Social care (adults)*</td>
<td>3 out of 4</td>
</tr>
<tr>
<td>Use of resources*</td>
<td>3 out of 4</td>
</tr>
<tr>
<td>Housing</td>
<td>4 out of 4</td>
</tr>
<tr>
<td>Environment</td>
<td>2 out of 4</td>
</tr>
<tr>
<td>Culture</td>
<td>2 out of 4</td>
</tr>
<tr>
<td>Benefits</td>
<td>3 out of 4</td>
</tr>
</tbody>
</table>

*(Note: * these aspects have a greater influence on the overall CPA score)*

*(1 = lowest, 4 = highest)*

**The improvement since last year - our Direction of Travel report**

**Summary**

South Gloucestershire Council is improving well.

**What evidence is there of the Council improving outcomes?**

**Investing in Children and Young People**

The Council consistently provides services above minimum requirements for children and young people, and has improved in 2007. Ofsted says there has been good improvement in nearly all the areas for development identified last year.

Improvements for more vulnerable children and young people are good. For example, the Youth Offending Team (YOT) is the highest performing Youth Offending Team in England and Wales for 2006/07, and Vinney Green Secure Unit is the highest performing secure unit as assessed by the Youth Justice Board’s Performance Management Framework.
Children are consulted and more involved in decisions about local services. The Children and Young People Participation Strategy is being implemented, with evidence of continuing increase in participation in consultation and decision-making.

**Improving Health, Modernising Community Care and Health Services**

Adult Social Care services improved further in 2006/07, with the Commission for Social Care Inspection’s (CSCI) annual performance assessment confirming an important level of improvement in line with the Council’s long-term plans. The Council is working with health partners to further improve and extend intermediate care and reduce the number of delayed discharges from hospital.

The Council has made significant progress in supporting older people and disabled people to live at home this year, both priority areas for improvement identified by CSCI last year. However, not enough people with learning disabilities are supported to live at home and the level of intensive home care is still comparatively low.

The Council is developing better ways to gain information from people who use services and to involve them in service development. It is demonstrating significant improvements to the care planning processes this year resulting in a timely service for people in South Gloucestershire. The areas for improvement outlined in the 2006 CSCI Learning Disability Services inspection have been addressed resulting in a much prompter allocation of a care manager in learning disability services. Older people are less likely to be admitted to residential care and their use of direct payments has increased.

The equality schemes in Adult Social Care are in place but these have yet to be translated into clear actions, which are understood and followed within the department. The council is at the early stages in the development of focused actions plans around gender equality and the intended improvements for service users and carers are not clear.

**Managing future development**

The Council is working effectively with partners in the West of England partnership to manage and improve issues affecting the four districts in city region area. For example, successful negotiation and bidding for major transport investments such as the Greater Bristol Bus Network and managing waste.

Performance in the speed of determining planning applications is showing some signs of improvement during the current year, but the Council is still a Planning Standards Authority (which means it is being closely monitored by the Government). For example, performance in processing major planning applications is improving this year but is less than the government target of 60 per cent in 13 weeks. Only 33 per cent of major applications were decided in 13 weeks in 2006/07. The Council is investing in its capacity to process planning applications more quickly and effectively. This in line with its priority for ensuring good quality development in the major housing and related development schemes it will have to make decisions on in the coming years.
How is South Gloucestershire Council performing?

**Safer and Stronger Communities**

29 The Council completed the transfer of its council housing to Merlin Housing Society (the Registered Social Landlord) in 2007. This was a well-managed process. Merlin is now working on implementing a major programme to modernise, improve and maintain former council housing to above the decent home standard. These improvements were previously not possible because the funding was not available while the Council owned the housing. The new strategic housing service has a good understanding of local needs, based on extensive consultation.

30 The Audit Commission inspected the new strategic housing service in autumn 2007. We judged it a Good service with Promising Prospects for Improvement. The Council is well placed to lead on strategic housing issues in the district.

31 Working with the Police and other agencies, the Council has significantly reduced house burglaries by 18 per cent in the year to April 2007.

32 Inclusion and equalities are themes throughout the new Community Strategy, the draft Council Plan, the Local Area Agreement (LAA) and other key strategic plans. Currently the Safer and Stronger Strategy aims to deliver inclusion and equalities within communities. Council departments, together with key agencies and the voluntary sector, try to address the needs of vulnerable groups of people, including older people, disabled people and people from minority ethnic communities. Community groups play an important role in guiding strategic development and service improvement. All initiatives carried out in priority neighbourhoods are assessed for their impact on equalities. Lessons are learned and information shared.

**Valuing the Environment**

33 The Council has improved performance and delivery of waste management services provided by the Council and SITA under its Private Finance Initiative (PFI) contract. Overall performance against both contract and statutory recycling and composting targets has remained good culminating in a recycling and composting rate of 39.54 per cent. South Gloucestershire remains one of the top unitary authorities at recycling and composting of waste.

34 The Council has identified five Priority Neighbourhoods where it wants to work in partnership with communities to help the areas improve. Some improved outcomes are already being achieved. In Staple Hill, two themed Community Action Plans have already been published. Actions include improving traffic and transport, including resurfacing roads and reducing road accidents. And enhancing and protecting the environment, including reducing littering and carbon emissions, and supporting small businesses to be more environmentally friendly.

**Maintaining economic prosperity**

35 The Council and its partners in the West of England Partnership have gained government support for their proposed Multi Area Agreement (MAA) to improve regeneration and economic development in the area. This is one of a limited number of new MAAs nationally and shows that the Council is effectively utilising new freedoms and flexibilities to improve in partnership.
The Council has a good record of providing employment opportunities for people with learning disabilities. And it now supports increasing numbers of people with mental health problems to be employed. However, the Council has further work to do on supporting carers to remain economically independent and increasing the numbers of disabled people in the workplace.

**Improvement in comparison with other councils**

Evaluating comparative rates of improvement with other councils is an important source of learning and useful to help manage and improve performance. One important source of comparative performance is national performance indicators (PIs), and considering whether the Council matches best comparative performance by being among the best 25 per cent. These indicators form part of the national Comprehensive Performance Assessment (CPA) rating for all English councils.

Key services at South Gloucestershire that have improved as assessed under CPA are clear Council priorities for improvement. Housing, Adult Social Care and Children’s Services are all clear priorities and are improving well.

South Gloucestershire Council is a relatively high performing council in many services. And the Council’s comparative performance and rate of improvement as measured by CPA PIs shows it is managing improvement largely in line with its priorities. For example:

- in the high priority area of Adult Social Care it has improved 75 per cent of its PIs compared to the single tier council average of 52.5 to 59.5 per cent. This is strong comparative improved performance on these indicators;
- in Culture, which is well established as not being a council priority, the rate of improvement is below the national average. Only 22 per cent of PIs are in best 25 per cent performance compared to the single tier authority average of 30 per cent; and
- in the priority area of Environment, the Council’s rate of comparative improvement, at 45 per cent, is less than the average for single tier councils of 54 to 60 per cent. But the council is maintaining its already comparatively and generally high performance, with 31 per cent of PIs in the best 25 per cent compared to the average for all single tier authorities of 27 per cent.

However, the Council’s comparative rate of improvement year on year as measured by CPA PIs for 2006/07, is consistently slightly less than the average for other councils. The Council is 224th out of 388 for the percentage of PIs improved in the last three years. It has 56 per cent of PIs improved in the last three years, which is below the average range for all single tier authorities of 61.9-64.1 per cent. Overall, the Council’s services measured by the most recent national indicators are improving more slowly than other councils. If this trend continues, measured comparatively on these indicators, the Council will have fewer of its performance indicators above the best 25 per cent nationally.
How is South Gloucestershire Council performing?

From April 2008, the new National Indicator set will be used to help assess councils’ performance. Although there is likely to be more scope to take into account councils’ reporting of their performance against local performance indicators when assessing rate of improvement, some comparison of councils using the national indicators is very likely to remain as part of any future assessment framework. The Council should keep the issue of its comparative performance with other councils, as measured by relevant national indicators, under review, and use this to inform its policies and priorities.

How much progress is being made to implement improvement plans to sustain future improvement?

The Council continues to provide many good and excellent services at comparatively low levels of spending overall. It has further improved its arrangements for achieving Value for Money (VFM) to a level 4 – the highest level – as assessed by the appointed auditor. This is in line with the Council’s high priority for being an efficient and well-run council that places a strong emphasis on VFM.

The Council has quickly and effectively developed a new Council Plan following the election of the new Council in May 2007. Building on the strengths and achievements of its preceding plans, the new draft Council Plan sets new and revised priorities for the Council.

The Council has also been refreshing and updating the area’s community strategy, reflecting up to date legislation and good practice, and its increased leadership role in partnership working. Ability to do this has been strengthened by changing portfolios within the Cabinet to further improve focus and leadership on organisational development and partnerships.

The Council has established a clear strategy for further improving its ability. The Fit for the Future programme is corporate and council wide. It covers customer care, leadership development for councillors and officers, improved partnership working, staff development, modern and efficient working practices, further improving VFM and better engagement with communities and local people. Building on its good track record, the Council recognises there is no room for complacency. These new top-level priorities are very important for setting the direction of the Council.

In the new strategic housing service, key building blocks are in place to sustain improvement, including staff and financial resources. But performance management is not fully embedded.

The Council’s Older Peoples’ strategy is in development, and is reflected in the new Council Plan and community strategy.

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1 The government has published a set of national performance indicators for local authorities, and local authorities and their partners as part of the 2007 Comprehensive Spending Review. From April 2008, these will replace existing national performance indicators for local authorities.
The Council has achieved level 2 of the equalities standard, and reports it is progressing well towards level 3 which it expects to achieve by April 2008. It is important that progress with the Council’s ability to understand and improve diversity and equalities issues continues.

The Council continues to invest in and develop a range of effective tools to support good management practice. These include further embedding the important corporate performance management system, PBViews, its corporate project management standard, PRIME, its corporate approach to risk mgt and performance improvement toolkits for teams and services.

The Council’s staff have given a strong indication of their support for the Council’s priorities, direction and leadership in 2007. The Council holds regular all staff surveys, and the latest in summer 2007 achieved a significant increase in response rate from 46 per cent to 64 per cent. It shows strengths in a number of key areas that indicate staff agree with and acknowledge the Council’s corporate direction and approaches. This includes commitment to their role in achieving good customer care.

Customer satisfaction with the Council’s services is generally improving or staying constant. The Council is maintaining its awareness and monitoring of customer satisfaction through a range of different surveys. Notably, in 2007, it has repeated the three-year Best Value user satisfaction survey to the Government’s guidelines. Overall satisfaction with the Council has increased from 53 to 57 per cent.

### Service inspections

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. Relationship Managers share information and seek to provide ‘joined up’ regulation to the Council. During the last year the Council has received assessments from other inspectorates, including:

- Commission for Social Care Inspection (CSCI) Annual Performance Assessment of Adult Services;
- Joint OFSTED/CSCI Annual Performance Assessment of Children and Young Peoples Services; and
- Benefit Fraud Inspectorate’s (BFI) annual assessment of the Council’s Benefits Service for CPA.

We have used these assessments as evidence to help arrive at the Council’s overall CPA rating and to reach the Direction of Travel judgement. The assessments have been separately reported to the Council, and they are referred to in the Direction of Travel report where significant.
We have also carried out an inspection of the Council's strategic housing service following its successful large-scale voluntary transfer (LSVT) of its council housing to Merlin in 2007. We found that the service was a good two-star service with promising prospects for improvement. The service is adapting well to its strategic housing role. It is meeting new challenges and is developing innovative solutions through highly effective partnership working with its neighbours and other agencies. However, performance management needs to continue to improve, and some aspects of customer focus need further attention if the council is to ensure that all users have fair and equal access to the services they need.
The audit of the accounts and value for money

Your appointed auditor, Richard Lott, has reported separately to the Council's Audit and Accounts Committee on the issues arising from the 2006/07 audit and has issued:

- an audit report in September 2007, providing an unqualified opinion on your accounts and a conclusion on your value for money (VFM) arrangements to say that these arrangements are adequate; and
- a report on the Best Value Performance Plan confirming that the Plan has been audited.

Accounts

There were a significant number of one off pressures on the Council affecting the accounts closedown this year. These include:

- the introduction of the new general ledger system from 1 April 2007;
- the significant number of changes to the Statement of Recommended Practice for local government accounts;
- the number and complexity of one off accounting entries relating to the LSVT of the Council’s housing;
- staffing changes caused by finance staff transferring to Merlin; and
- the impact of the closure of the Direct Services Department (DSD).

Whole of government accounts return

On 5 October 2007 we issued our report on the Whole of Government Accounts (WGA) Consolidation Pack confirming that the pack was consistent with the Council's accounts.

Best Value Performance Plan

The audit of the Council's BVPP confirmed that the plan complied with all relevant requirements, and was reported to the Council in November 2006.
Use of Resources

The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.

- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
- Financial management (including how the financial management is integrated with strategy to support council priorities).
- Financial standing (including the strength of the Council's financial position).
- Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
- Value for money (including an assessment of how well the Council balances the costs and quality of its services).

For the purposes of the CPA your auditor has assessed the Council’s arrangements for use of resources in these five areas as follows.

<table>
<thead>
<tr>
<th>Element</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial reporting</td>
<td>2 out of 4</td>
</tr>
<tr>
<td>Financial management</td>
<td>3 out of 4</td>
</tr>
<tr>
<td>Financial standing</td>
<td>4 out of 4</td>
</tr>
<tr>
<td>Internal control</td>
<td>4 out of 4</td>
</tr>
<tr>
<td>Value for money</td>
<td>3 out of 4</td>
</tr>
<tr>
<td>Overall assessment of the Audit Commission</td>
<td>3 out of 4</td>
</tr>
</tbody>
</table>

(Note: 1 = lowest, 4 = highest)

In addition to assessing the Council's performance against the use of resources criteria, we completed work to assess how these criteria worked in practice. These covered the following aspects of the Council's functions:

- Asset management; and
- Partnership working.
Asset management

Our work, reported in September 2007, identified that the Council recognises strategic management of its property assets is an essential organisational discipline and it is making good progress in strengthening its arrangements. There is a close link between service business planning and service based asset management. This link is explicit in several current service reviews where the property assets provide the resource base to support service improvement. This includes the office accommodation strategy, care for older people, leisure and youth services.

There is some scope to enhance further the Council's arrangements for strategically managing its assets to drive even greater benefits, and to improve performance management arrangements for its assets, such as greater use of cost, efficiency, quality and user satisfaction information in monitoring and decisions making relating to assets.

Partnership working

In October 2006, we concluded that the Council had made some positive progress in developing and improving its approach to partnership working. Specifically, it had:

- adopted a high-level framework for partnership working;
- commenced work to ensure that governance arrangements for each of the Council’s partnerships are captured through an online checklist; and
- reviewed its high-level partnership structure and identified a new set of key partnerships as a means to deliver the Local Area Agreement.

We also found that some of this had been quite recent and it was too early to assess the effectiveness and impact of the Council's new partnership approach. So we followed this up with further work during 2007, and our draft report at November 2007 concludes:

- the importance of partnership working as a means of delivering improved outcomes for the community is a key feature of the Council's current strategic thinking;
- the Council's commitment to partnership working is reflected in its revised corporate priorities and improvement programme. This clear commitment to partnership working reinforces its importance as a top level priority for the Council;
- the new political administration is providing focus and direction to lead and influence the partnership agenda;
- the Council now has a clear, comprehensive approach and a range of tools to guide and support officers in their partnership work and to enable it to monitor and review the effectiveness of partnership activity. It also knows the partnerships that it is involved in, the resources it contributes and how partnerships link to the delivery of Council objectives;
the Council has strengthened the links between partnership working and other corporate processes. These ensure that partnership working is mainstreamed into the Council’s every day business; and

the Council has continued to communicate its partnership approach both internally and externally as it has evolved, although there is still more to be done. There is still no formal mechanism for communicating the Council's partnership approach on a routine basis and there remains more to be done to raise the profile of partnership working, communicating the added value it brings and celebrating success and good practice.

The key issues arising from the audit

Although the overall Use of Resources score remained unchanged at level three, the Council improved its performance and its scores on the theme of Financial Management, which increased from a two to three. And it improved its performance on Financial Standing and Internal Control, which both increased from level three to level four - the highest level. The Council continues to have strong arrangements to promote probity and propriety.

The Council also improved further its arrangements for achieving and improving value for money, with recognition for the work it has done with its Member Efficiency Group to identify a programme of Service Reviews designed to address any areas where costs are not comparable with other authorities.

Some qualitative aspects of the Council’s accounting practices and financial reporting were identified as needing improvement. These include:

the quality of working papers provided to support the audit needs to be improved;

the Council's general ledger is able to produce a log of all journal transfers raised. However, as journals prepared by senior staff are not countersigned a 'peer' review of a sample of journals would improve control;

the accounts include a credit balance relating to housing benefit subsidy. This reflects a significant under provision for grant from DWP. The estimating process for HB should be reviewed to ensure that the creditor or debtor balances are more accurate in future; and

the audit identified a number of significant internal debtors and creditors which should have been excluded from the accounts.

There is some scope to enhance further the Council's arrangements for strategically managing its assets to drive even greater benefits, and to improve performance management arrangements for its assets.

The Council has continued to communicate its partnership approach both internally and externally as it has evolved, although there is still more to be done to raise the profile of partnership working, communicating the added value it brings and celebrating success and good practice.
National Fraud Initiative

71 The National Fraud Initiative (NFI) is a computerised data matching exercise designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in January 2007. Investigations by the Council's Internal Audit Services identified two benefit overpayments totalling about £1,000 to private care homes in respect of two residents who had passed away, and led to the withdrawal of 42 Blue Badges where the holder had passed away.

Grant Claims

72 In accordance with Strategic Regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims, resulting in lower audit fees for this work. Our ability to reduce these fees further depends on the adequacy of the Council’s control environment.

73 The Council needs to improve its arrangements for submitting timely, complete and accurate grant claims to central government. Of the 12 claims audited this year, two required a qualification report from the auditor to the Paying Department and five needed amendment at audit.
Looking ahead

The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.

CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors’ use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.

The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.
Closing remarks

77 This letter has been discussed and agreed with officers and members of the cabinet. A copy of the letter will be presented at the Audit and Accounts Committee on 12 March 2008 and then to Cabinet on 7 April 2008. Copies are to be provided to all Council members by personal notification to them.

78 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3  Reports issued

<table>
<thead>
<tr>
<th>Report</th>
<th>Date of issue</th>
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<td>Audit and inspection plan</td>
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<td>BVPP report</td>
<td>November 2006</td>
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<td>Annual Governance report</td>
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<td>Opinion on financial statements</td>
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<td>Strategic Housing Services Inspection report</td>
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<td>Grant claims/returns</td>
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<td>Data quality report</td>
<td>February 2008</td>
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<tr>
<td>Annual audit and inspection letter</td>
<td>March 2008</td>
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</table>

79 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and co-operation during the audit.
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.

Phil Suter
Relationship Manager
March 2008