

# Annual Audit and Inspection Letter

Leicester City Council

Audit 2007-2008

March 2009



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

- 1 Leicester City Council is improving adequately overall. The Corporate Assessment published in June 2008 assessed the Council's ability/capacity to improve as adequate.
- 2 Outcomes in areas that are priorities are improving and most services continue to score well with top ratings for housing and culture services. However improvement is inconsistent and slow in some weaker areas:
  - progress in improving children's attainment is too slow;
  - benefits claims processing is slow which increases pressure on vulnerable people;
  - waste, recycling and other environmental services are improving well; and
  - more adults are being supported to lead independent lives.
- 3 The Council is working well strategically with partners having agreed a new long term vision for the area and plans for economic development with the County Council. The transformation programme is addressing weaknesses in capacity planning and performance management to deliver the One Leicester vision.
- 4 In relation to the audit of accounts and value for money (VFM) the main messages are as follows.
  - The standard of the Council's accounts remains good and we have issued an unqualified opinion on your 2007/08 financial statements and a conclusion that your VFM arrangements are adequate.
  - The Council's overall arrangements for managing its use of resources remain good but these will be tested by pressures from the current economic climate. Systems of internal control are adequate but there is scope to strengthen these further.
  - Data quality arrangements are adequate but the Council is not yet getting the full benefit of the Performance Plus system as it is still not being used in all areas of the Council.
  - Progress has been made against the strategic recommendations in our Public Interest Report on housing contracts and the Council's own corporate improvement plan but it is taking longer than expected as the Council is aiming to simplify the procurement process at the same time.
  - There is a risk of significant grant claw-back arising from qualification of the housing and council tax benefit subsidy claim, but provision has been made for this in the Council's accounts.
  - Looking ahead the Council, like others will need to ensure it is in a good position to apply new International Financial Reporting Standards (IFRS) to financial information for 2009/10 so it can be incorporated in the 2010/11 published accounts.

**Action needed by the Council**

- 5** Ensure a clear focus on delivering improvement in weaker areas of service.
- 6** Continue to develop capacity and performance management to support the delivery of the One Leicester vision and service improvements.
- 7** Ensure medium term financial planning reflects the likely impact of the economic downturn on services and funding.
- 8** Continue to improve internal control by:
  - developing and embedding risk management arrangements, particularly the role of the Audit Committee.
  - developing a more proactive role for the Standards committee in reviewing standards of conduct and promoting a strong anti-fraud culture and ethical behaviour.
- 9** Ensure implementation of the remaining actions arising from the Public Interest Report in respect of contracts is completed as planned and that their impact on operational procedures is monitored and reviewed.
- 10** Ensure that sufficient capacity is available to allow the Council to meet new International Financial Reporting Standards.

# 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), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter. It also includes the results of the most recent corporate assessment.
- 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](http://www.audit-commission.gov.uk). In addition the Council is planning to publish it on its website.
- 14** Your appointed auditor 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, he 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 2007/08 audit and inspection work at the end of this letter.

# How is Leicester City Council performing?

17 The Audit Commission’s overall judgement is that Leicester City Council is improving adequately and we have classified the Council as two stars in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

**Figure 1 Overall performance of councils in CPA**



Source: Audit Commission (Figures may not add up to 100% due to rounding)

## How is Leicester City Council performing?

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### Our overall assessment - the CPA scorecard

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**Table 1 CPA scorecard**

Element	Assessment
Direction of Travel judgement	Improving adequately
<b>Overall</b>	2 star
Corporate assessment/capacity to improve	2 out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2007	3 out of 4
Current performance	
Children and young people*	2 out of 4
Social care (adults)*	3 out of 4
Use of resources*	3 out of 4
Housing	4 out of 4
Environment	4 out of 4
Culture	3 out of 4
Benefits	2 out of 4

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

(1 = lowest, 4 = highest)

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**18** An important aspect of the Commission's work is to work with other inspectorates and regulators who also review and report on the Council's performance. We share information and seek to provide 'joined up' regulation to the Council. Our Direction of Travel below also includes findings from Ofsted's and CSCI's annual performance assessments (APAs) of children's services and adult social care.

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

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

**19** The Council is improving outcomes for people adequately but not consistently. Most service areas continue to score well with some excellent areas such as housing and culture. But weaker areas such as educational attainment and housing benefits are improving only slowly.

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- 20** The Council has agreed a set of priorities for Leicester with its partners contained in the sustainable community strategy (SCS), 'One Leicester'. The Council has adopted the same seven priorities for itself. They are: investing in children; planning for people not cars; reducing the carbon footprint; creating thriving, safe communities; improving wellbeing and health; talking up Leicester; and investing in skills and enterprise.
- 21** Our corporate assessment of the Council, published in June 2008, concluded that the Council's performance was adequate. It found that the Council continued to have a good overall approach to diversity and has built on its strengths in community cohesion. It demonstrates a good focus on meeting the needs of its diverse communities. However, progress on addressing the recommendations of the previous corporate assessment had been slow and some areas such as performance management, target setting and strategic planning remain only adequate.
- 22** The Council's overall rate of improvement, when measured by best value performance indicators (BVPIs), is average. In 2007/08, 64 per cent of the Council's BVPIs improved compared with a national average range of improvement of between 62 and 64 per cent. Over the last three years the Council's rate of improvement at 67 per cent matched the average range of between 66 and 68 per cent. In terms of absolute performance, it has fewer top performing BVPIs than average: 26 per cent compared with an all council average of 30 per cent.
- 23** The Council is making improvements in its priority areas but the rate of some of these is too slow. For children and young people, examination results in 2008 indicate improvements; with Leicester being the fourth most improved in the country for 11 year olds and achieving the best ever results in good GCSEs. However, compared to similar areas the results are still among the worst nationally and Ofsted has recently judged educational attainment to be inadequate as the rate of improvement is too slow. The Council has invested a further £7million over the next three years to continue the approach that focuses on individual pupils rather than particular schools. But there are still major concerns about teenage pregnancy, which continues to rise, narrowing the gap before children start school and improving the educational attainment of looked after children. For all of these there is a high risk of not achieving the targets that have been set.
- 24** The Council is focusing on its priority of people before cars, including the major redevelopment of the city centre. The £350 million Highcross retail and housing development opened in September 2008 with over 600,000 visitors in the first week. The Council supported this with a £16.8 million refurbishment of the city's major streets including extended pedestrian priority routes. It is reducing traffic congestion. Access to services and facilities by public transport, cycling and walking is on track to meet the target of 79 per cent this year and satisfaction with bus services has increased.
- 25** The Council is making progress in reducing its carbon footprint. It has increased its rate of recycling and composting domestic waste to 33.5 per cent, above average and exceeding government targets while its costs for collection and disposal are among the lowest nationally. It has completed a major window fitting scheme ahead of schedule improving condition of homes for council tenants and reducing energy use. Council dwellings are among the most energy efficient in the country. As a result costs and the carbon footprint are reduced.

## How is Leicester City Council performing?

- 26** The Council takes action with its partners to promote thriving, safe communities. However success in reducing crime is inconsistent. Violent crime is reducing but there has been a rise in domestic burglary and theft from motor vehicles. The Council has introduced a new structure at ward level which enables local people to influence how some local funds are used. Communities have chosen to fund a range of provision including events to promote greater social cohesion.
- 27** The Council continues to be a good landlord for its tenants. The Council has made significant progress in ensuring all its tenants live in decent homes. The single contact telephone number at the tenants' advice centre in Saffron replaces 14 previously in use improving its efficiency of dealing with queries at the first point of contact. Tenant satisfaction has increased overall from 69 per cent in 2006/07 to 78.3 per cent in 2007/08. Outside the Council's own stock, the provision of affordable homes is among the best nationally, with 237 provided in 2007/08, while the Council is returning high numbers of non-council owned properties into use; 159 in 2007/08, again among the best nationally.
- 28** The Council is contributing well to improved health and wellbeing. The number of older vulnerable people supported to live at home has increased and is on target. The use of direct payments is increasing and uptake among carers and people from black and minority ethnic communities is significantly better than similar councils. Alcohol related hospital admissions are down and more drug users are receiving effective treatment.
- 29** The Council is actively supporting investment in skills and enterprise for local people. The Council brokered an agreement that the 2000 new jobs at the Highcross shopping centre should prioritise local people. A scheme to support small and medium enterprises (SMEs) to win business from the public sector engaged with 300 SMEs with about 25 having secured contracts with the public sector. The Council and partners secured European funds of £7.3 million to continue support to SMEs. So far over 100 SMEs have received direct help or guidance with 26 new SMEs setting up, creating 25 new jobs and safeguarding 83 existing jobs.
- 30** The Council's performance in addressing the needs of vulnerable people is mixed. Although the speed of processing benefits claims improved in 2007/08, customers wait on average for more than a month for their benefit to be decided and paid. Financial help is slow in reaching those who are entitled to it and vulnerable customers may be under increased pressure as a result. The slow rate of improvement over several years has led to the service being inspected early in 2009. The Council's award winning scheme to encourage learning disabled adults into employment has resulted in 17 people being appointed in a range of paid work for the first time in posts ranging from clerical assistants to housing assistants. The Council was externally assessed at level 4 of the equality standard for local government in April 2008 putting it in the best seven per cent of councils nationally.
- 31** The Council continues to deliver adequate value for money. Its recent use of resources assessment identified that the costs of services are relatively high while performance varies. It has delivered significant efficiency savings which are re-invested in services such as adult social care and children's education.

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

- 32** The Council has decided that it needs to make significant changes in the way it operates to enable it to improve more quickly in the future. In the SCS, One Leicester, the Council and its partners have set out a long term vision for Leicester and identified seven priorities. These priorities have been agreed as the Council's priorities to ensure direct alignment between the joint plan and the Council's activities. The Council also recognised that Leicester's long term economic regeneration cannot be ensured by partners in the city alone. It is working with neighbouring councils and other agencies and is in the process of agreeing a multi area agreement (MAA) to deliver the economic development ambitions of the SCS. The Council recognises that Leicester's economic success cannot be separated from that of its neighbours and has agreed to form a joint economic development company with the county council to support these plans. The Council is putting into place the means by which it and its partners can implement their long term vision.
- 33** The Council and its partners' success in meeting the targets and milestones they have set themselves is variable. The Council broadly achieved 79 per cent of its targets for 2007/08 but, conversely, did not meet the other 21 per cent. In only 48 per cent of the Council's targets did performance improve while in 20 per cent performance deteriorated. In the LAA, over the three years up to 2008, 65 per cent of targets were broadly achieved.
- 34** The Council is implementing a transformation programme to ensure that it has sufficient capacity to be able to deliver its priorities. It has changed the senior management structure so that strategic directors have responsibility for delivering priorities in the SCS rather than departmental responsibilities. The alignment with SCS priorities are planned to be mirrored in Cabinet responsibilities. A new system for managing the performance in its priority areas, based on outcomes for residents, gives the Cabinet greater oversight and challenge. The Council continues to lose too much time to sickness absence, reducing capacity. Sickness absence reduced for the second year running from 12.7 days to 12.2 days per full time equivalent in 2007/08, but it is still too high. In March the Council introduced new processes for dealing with this. The Council's capacity to improve services further, according to CSCI's latest annual performance assessment of adult social care services, is promising, while Ofsted considers capacity to improve in children's services to be adequate.
- 35** The Council has responded well to criticisms of its corporate governance arrangements in the corporate assessment. To strengthen and demonstrate openness in decision making, the Council has recruited two new independent members of the standards committee; excluded the Deputy Leader from membership while retaining one cabinet member to ensure full engagement with the executive; and increased councillor training on corporate governance. Progress has been made towards satisfying the recommendations of a public interest report issued in 2007 on the letting of contracts for housing repairs. Better corporate governance supports improvement planning.

### Inspections in 2008

**36** Leicester City Council underwent a new corporate assessment in 2008. The Council was judged to be performing adequately (score of 2) in that assessment, down from performing well (score of 3) in 2002 but applying a harder test as expectations of council performance have increased since that time. The key findings are below.

#### Corporate Assessment

**37** The Corporate Assessment in 2002 commended the Council for its community focus and sound financial management. However, performance in some areas was poor and satisfaction levels were low. The Council continues to have a good overall approach to diversity and has built on its strengths in community cohesion and continues to demonstrate a good focus on meeting the needs of its diverse communities. However, progress on addressing the recommendations of the previous assessment has been slow and some areas such as performance management, target setting and strategic planning remain only adequate.

**38** Following the local government elections in May 2007 the Labour group now has overall control of the Council by a clear majority. This was preceded by a period of political instability with no party having overall control of the Council. Political and community leadership is clear as the new administration has set out explicit and challenging ambitions for Leicester and has widespread support from partners, stakeholders and residents for its three aims based around People, Place and Prosperity. It has set out a 25-year vision for Leicester aimed at becoming the most sustainable city in the UK and is restructuring its key strategic plans around this new focus. The Council is consulting widely with local people and stakeholders to help it develop the detail of its proposals. But at the moment action plans are not consistently in place to ensure partners and stakeholders understand their respective roles and responsibilities in delivering the new strategy.

**39** The Council has successfully increased its capacity by attracting external funding and moving funds to support priority areas such as education and regeneration. There is now visible and effective political leadership and strengths in partnership working. As a result, business and stakeholder confidence in the Council's ability to effect change is improving.

**40** Recent managerial changes are challenging the Council's capacity at a senior level. An interim Chief Executive and acting Directors of Children's Services and Adults and Housing are in place but this has squeezed capacity in the short term at a very challenging time for the Council. There are other issues around capacity such as high sickness levels which are impacting upon service delivery in front line services. A tendency towards departmentalism and lack of corporate working causes duplication of effort and inefficiencies in practice. There is a need to strengthen the Council's approach to ethical governance and the challenge provided by the Scrutiny function needs to be more effective. The workforce at senior levels is not currently representative of the diverse population and the Council lacks a clear workforce development plan to ensure the right people, skills, knowledge and expertise is in place to enable the Council to achieve its ambitious plans for Leicester.

- 41** Management of performance within departments is effective but there are gaps in the Council's approach to strategic planning and corporate performance management. Current service plans are inconsistent and do not support continuous improvement in services or demonstrate a focus on improving value for money. Most staff have regular appraisals but there is no clear link between the corporate plan, service plans and individual responsibilities. There is an inconsistent approach to identifying and tackling underperformance and some targets are not challenging. The Council recognises that it needs to strengthen corporate management of performance to enable it to focus on improving weaker areas.
- 42** There is an adequate focus on value for money and the overall use of resources is assessed as good. Financial management is sound and financial capacity is good but levels of reserves face increasing pressure to support the Council's capital requirements. Although the Council has met its efficiency targets set out by central government there is scope for a more rigorous approach to identifying and controlling costs and comparing service performance and cost with other councils.
- 43** Service performance is good overall but year on year improvement in performance indicators in 2006/07 has been below the average of other councils. Standards of achievement for children at key stages 3 and 4 are poor but improving and, although numbers of young people 'not in education, employment or training' are reducing, they remain comparatively high.
- 44** The Council and its partners are beginning to secure outcomes in some priority areas. Waste, recycling and planning performance have improved and the Council is making good progress towards meeting the Government's Decent Homes standard. Road safety is improving and there have been some good transport initiatives which have helped reduce traffic and CO2 emissions in the City. Crime rates are falling but still above average and there has been little impact of the Council's and partners' activities on reducing health inequalities in Leicester. Performance is variable in adult social care and there is little clear focus on meeting the needs of the over 50s. Outcomes for children in Leicester are adequate. Arrangements for safeguarding children and young people and services for looked after children are good.

# The audit of the accounts and value for money

**45** Your appointed auditor has reported separately to the Audit Committee on the issues arising from our 2007/08 audit and has issued:

- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 25 September 2008: and
- a report on the Best Value Performance Plan confirming that the Plan has been audited.

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## Use of Resources

**46** 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).

47 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 2**

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>

Note: 1 – lowest, 4 = highest

**The key issues arising from the audit**

48 Our assessment of the Council's overall arrangements for use of resources remained at 'performing well' (level three). The key issues arising from the audit, as reflected in the above judgements are as follows.

- The Council's arrangements for producing and approving its annual financial statements remain sound despite further changes in recommended accounting practice. The number of errors in the financial statement increased this year but remains relatively small considering the scale and complexity of the Council's accounts. All significant errors were corrected during the course of the audit. Working papers complied with the agreed joint working protocol and most were of a good standard.
- The Council has effective arrangements to ensure that its medium-term financial strategy, budgets and capital programme are soundly based and are designed to deliver its strategic priorities. Performance is effectively managed against budgets and the Council continues to manage its asset base well.
- Systems of internal control are adequate. The Council's overall approach to risk management continues to develop and is becoming embedded into routine business operations although the introduction of comprehensive risk registers is developing more slowly than envisaged. Further work is needed to develop the role of the audit committee and provide members with appropriate training. More could be done to proactively review standards of conduct and promote a strong anti-fraud culture and high standards of conduct throughout the Council.

## The audit of the accounts and value for money

- The Council delivers adequate value for money (vfm). Overall it remains a high spender compared to similar councils which partly reflects the diverse and changing nature of the city and higher demand for some services. Performance is routinely reviewed and challenged by officers and councillors but remains variable. Continued focus is required on poorer performing services such as educational attainment and processing housing benefit claims. The Council has exceeded its government efficiency target and is embarking on new transformation programmes designed to achieve further efficiencies and performance improvements.

**49** In common with most areas of the economy the current economic downturn has affected local authorities and will continue to do so. Demand for certain services such as benefits are likely to increase and certain key income sources likely to reduce. A key challenge in managing use of resources will be to balance these competing pressures with the medium term financial strategy (MTFS) and future plans.

### Data quality

**50** The Council's overall management arrangements for ensuring data quality are adequate, although some areas are good. Improvements have been made in staff skills and reporting arrangements through the roll out of Performance Plus and associated training. However, there are areas in the Council where local systems are still used, rather than Performance Plus, and this means the Council is not getting the full benefit from the systems and policies it has.

**51** Our targeted spot checks on six performance indicators (PIs) concluded that four were fairly stated. Two housing benefit PIs were qualified due to failure to fully comply with the PI definitions. In particular, there were errors due to misclassified cases and the use of incorrect start and end dates.

### Building schools for the future

**52** We are carrying out an ongoing review of the Council's arrangements for implementing and managing its Building Schools for the Future (BSF) programme. The latest review covers the period from June 2006 to phase 1 financial close in December 2007. The draft report and action plan produced as a result of this work have not yet been agreed but will be finalised as soon as possible. We will continue to monitor the Council's arrangements for BSF as phase 1 is implemented and future phases are procured. We will also monitor the Council's response to our report and action plan once it has been finalised.

### The Curve project

**53** Curve, previously called the Performing Arts Centre, replaces the Council's 1970s Haymarket Theatre and provides a new home for the Phoenix Arts Centre's live programme. It is the flagship of Leicester's Cultural Quarter and supports a number of regeneration objectives for the area. Work started in autumn 2001 and was completed in November 2008.

- 54** Ambitious projects such as the development of Curve, which aims to meet a set of complex objectives, require effective planning, implementation and management. Additionally, the scale and nature of such projects means that they are subject to continuing public scrutiny throughout their development and construction.
- 55** We have reviewed the robustness and clarity of the planning, briefing, implementation and management of the project, including cost control and value for money, together with the key decisions which enabled the progress of the project. Our draft report is currently being considered by officers and will be finalised as soon as possible.

### Ethical standards

- 56** Setting high ethical standards is an important building block for councils in developing their community leadership role and improving services to the community. Our review examined compliance with statutory requirements as well as overall standards of behaviour, culture and values.
- 57** The first stage of our audit involved a diagnostic survey of members and senior officers and a review of key documents. We found:
- adoption of appropriate codes of conduct and associated training;
  - variable levels of awareness about how to apply codes of conduct in practice;
  - a relatively high level of awareness of Council Conventions (Constitution);
  - declarations and registers of interest used actively but not always appropriately; and
  - opportunity for a more proactive approach by the Standards Committee;
- 58** We are in the process of arranging workshops to explore some of these issues in more detail and help the council develop strategies for strengthening its existing arrangements.

### Public Interest Disclosures

- 59** The Audit Commission has received two separate disclosures of information under the terms of the Public Interest Disclosure Act 1998 (PIDA) from employees of the Council. They related to various aspects of a disciplinary hearing that had taken place at the Council and concerns in respect of undisclosed hospitality, use of consultants and a joint funding transaction in the Children and Young Peoples Directorate (CYPD).
- 60** The Audit Commission is a 'prescribed person' as set out in the Schedule to the Act. However, the Act neither requires nor empowers the Commission or its appointed auditors to carry out an investigation into the subject matter of any disclosure made or to report the results of any investigation undertaken. However, the Commission's policy is to refer disclosures to the appointed auditor for the body concerned for consideration in the context of the auditor's existing statutory and professional responsibilities.
- 61** We followed up the information received and decided that no formal audit action was necessary in either case. However we have made recommendations to strengthen the Council's arrangements and also included additional work in our current audit programme as a result.

### Disciplinary Procedures

- 62** We considered the information provided in writing to the Audit Commission and in subsequent discussions with the discloser, in light of the external auditor's statutory and professional responsibilities. As a result we have reviewed whether the management arrangements for and conduct of the disciplinary hearing were sufficient to demonstrate that the Council has arrangements in place:
- to support the creation and maintenance of a strong control environment;
  - to maintain a sound system of internal control; and
  - that are designed to promote and ensure probity and propriety in the conduct of its business.
- 63** We issued our draft report in October 2008 and discussed our findings with officers in December 2008. Following our meeting officers submitted additional information for us to consider in February 2009. Our report will be finalised and actions agreed with officers as soon as possible.

### CYPD

- 64** We found some weaknesses in the Council's governance arrangements relating to:
- failure to register hospitality from a potential contractor, which we are taking forward as part of our wider review of ethical standards mentioned above; and
  - poor application of procurement arrangements, which we note the Council is addressing through a council wide improvement plan in this area.
- 65** In addition we have also included in our 2008/09 audit plan a review of the governance arrangements of funds managed in partnership.

### Public interest report (Housing Contracts) - follow-up

- 66** In December 2007 we issued a Public Interest Report (PIR) following a disclosure in the summer of 2006 under the Public Interest Disclosure Act 1998. The disclosure related to the letting of housing repairs and improvement contracts in the former housing department and included a number of strategic recommendations to improve corporate oversight and scrutiny of the procurement process.
- 67** The purpose of this follow up was to consider progress made against the strategic recommendations and the implementation of the Council's corporate improvement plan.
- 68** We concluded that the Council has made progress against all four of the strategic recommendations in our report but two are only partially complete. Progress has been slower than first anticipated due to the need to link into the Council's overall change agenda and a desire to fundamentally reduce the complexity of the previous procurement arrangements.

- 69** The corporate improvement plan is monitored approximately quarterly by Corporate Directors Board, the Audit Committee and Cabinet. All actions were originally due to be completed by December 2008. At the time of our review (December 2008) ten actions were complete and 15 were in progress. Implementation has again been slower than first anticipated for the same reasons noted above.
- 70** It is essential that the outstanding elements are completed as soon as practicable to enable Members to have meaningful input to and oversight of the procurement process.
- 71** As many of the changes arising from the PIR and Corporate Improvement Plan are in the early stages of implementation it is not possible at this stage to fully assess the impact or effectiveness of the changes on current procurement practices. We therefore propose to undertake a further review as part of next year's audit.

### Certification of grant claims & returns

- 72** The total number of claims and returns received for certification has increased significantly from 17 last year to 28 in 2007/08. Our work has been completed for 22 of those claims, 15 of which required amendment and/or qualification.
- 73** With the exception of the housing and council tax benefit subsidy claim, most of the errors and qualifications were relatively minor.
- 74** The qualification letter for housing and council tax benefit subsidy for 2007/08 has not yet been finalised but, as in previous years, a significant number of errors have been identified. In addition, the impact of our qualification of the 2006/07 claim has still not been determined by DWP. Consequently, there is a risk of significant claw-back of subsidy although the scale remains uncertain at this time. Financial provision has been set-aside but there remains a risk that the provision may not be adequate.
- 75** We are working with officers to prepare a joint working protocol to improve the efficiency of the HB certification arrangements for 2008/09.

# Looking ahead

- 76** The public service inspectorates have developed 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.
- 77** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 78** 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 National Indicator Set and key aspects of each area's Local Area Agreement.

## International Financial Reporting Standards (IFRS)

- 79** As noted in last year's letter, International Financial Reporting Standards (IFRSs) will be applied to local government for the 2010/11 published accounts which will include comparative figures for 2009/10. This means that the Council needs to be in a position to provide the necessary financial and operational information from 1 April 2009. It is therefore essential that the Council has adequate arrangements in place to comply with the new requirements in a timely manner. Preparation for this change will be considered as part of the 2009 Use of Resources assessments.

# Closing remarks

- 80** This letter has been discussed and agreed with Senior Management Team. A copy of the letter will be presented at the Audit Committee on 22 June. Copies need to be provided to all Council members.
- 81** 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**

Report	Date of issue
Audit and inspection plan	April 2007
BVPP report	October 2007
Joint working protocols	February 2008
Public Interest Disclosure - CYPS	May 2008
Corporate Assessment report	June 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Accounts & interim audit report	October 2008
Public Interest Disclosure - disciplinary procedures	October 2008 (draft)
Public interest report (Housing Contracts) - follow-up	December 2008 (draft)
Use of Resources	January 2009
The Curve project	February 2009 (draft)
Data Quality	February 2009
Annual audit and inspection letter	March 2009

- 82** 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 cooperation during the audit.

## Closing remarks

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### Availability of this letter

**83** This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Council's website.

**Mary Perry**  
**Comprehensive Area Lead**  
**March 2009**

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

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