

The Annual Audit Letter 2005/06

Report of the Assistant Director of Resources (Audit & Risk Management)

Summary

- 1 This paper summarises the key findings and conclusions of the District Auditor in respect of the 2005/06 audit year.

Background

- 2 The District Auditor reports annually his independent opinion of the Council's arrangements based on an annual programme of work agreed by officers and Members. This programme of work must meet the standards set out in the Code of Audit Practice and is focused across 3 main areas of interest:
 - the opinion given on the Council's annual Statement of Accounts and Statement of Internal Control;
 - the financial aspects of corporate governance (including financial health, systems of assurance, probity and legality);
 - performance management (including CPA, VFM, performance management information and the Best Value Performance Plan).
- 3 The Letter also summarises key findings from the annual Inspection programme and includes the Council's CPA scorecard for 2006 and a related 'Direction of Travel' statement.

Summary of key issues

- 4 In summary, the District Auditor notes that:
 - a) overall, the Council is "**improving adequately and demonstrating a 3 star overall performance**" for 2006 CPA purposes (*page 5, paragraph 5*) but that preparing for the Corporate Assessment in January 2008 "**presents challenges for the Council**" (*page 4, paragraph 3*)
 - b) the Council has maintained sound financial management and "**sustained a strong focus on value for money, with very good performance across a range of services whilst containing**

overall service costs in line with the lowest spending Councils nationally” (page 7, paragraph 16) and unqualified opinions were given on the financial accounts and in respect of the VFM conclusion (page 4, paragraph 3);

- c) important improvements in internal control and the overall governance framework have been made, such as the introduction of the Audit & Governance Committee, and in raising awareness of these matters (page 14, paragraph 44);
- d) the Use of Resources CPA re-refresh in 2006 was scored as a 2 compared to 3 in 2005. Priority areas for improvement noted by the Audit Commission (page 14, paragraph 45) are:
- accounts for audit to be free of material misstatements;
 - all partnerships to have robust governance arrangements;
 - the financial performance of all partnerships to be reviewed and achievement of objectives actively monitored;
 - consolidate the corporate approach to procurement;
 - continue to develop the Audit & Governance Committee to ensure it is confident in its role and is able to provide effective challenge as part of the Council’s overall management assurance framework;
 - embed the development work on-going in relation to the equalities agenda.
- e) various service improvements have been made across a wide range of services but there remain areas for improvement, some of which remain outstanding from last year (page 4, paragraph 3). Particular matters to note include:
- the strategic planning and prioritisation issues arising from a review of deciding & delivering Council priorities (page 9, paragraphs 25-27);
 - the adequacy of overall programme and project management arrangements at the Council (page 10, paragraph 29);
 - the need to address the improvement issues set out in respect of LSP to properly support the development of the LAA and partnership working (page 11, paragraph 33-35);
 - excellent Ofsted Inspection (page 12, paragraph 37);
 - that whilst the fraud and security side of the BFI Inspection is judged to be excellent and improving, there were some performance issues to be addressed by the Benefits service in 2005/06 (pages 12, paragraphs 38);
 - good CSCI Inspection overall but it was noted that the improvement areas identified previously in respect high cost

Adult intensive social care and the unit costs of home care remain outstanding (*page 12, paragraph 39*).

- 5 The Letter also notes key areas for improvement based on performance in 2005/06, as set out in the Direction of Travel (DOT) report (*page 6, paragraphs 7-23*). Positive progress made includes:
- a) high performance within services for children, young people and adult care services, supported by LPSA initiatives to further improve performance;
 - b) improvement across the majority of key BVPIs, most notably in respect of planning which is now meeting national standards;
 - c) good progress has been made in addressing local priorities through the York Pride initiative particularly in respect of the built environment and access to services ([Easy@York](#) project work);
 - d) strong focus on VFM sustained with very good performance noted across a range of services whilst keeping service costs in line with the lowest spending Councils nationally. Significant progress has also been made in the early achievement of national efficiency targets and the development of the five year Efficiency Programme which along with the Organisational Effectiveness Programme should help to support organisational development and the considered allocation of resources to priority services;
 - e) proactive response to recent job losses in taking a strategic approach to consideration of the City's future employment and economic prospects and good progress made in developing and implementing a Local Area Agreement (LAA) by April 2007;
 - f) healthy schools scheme contribution to helping to improve the health of local people;
 - g) evidence of a number of robust service delivery plans spanning key service areas including the Local Transport Plan and Children and Young People's Plan, both of which received the highest possible rating in external assessment;
 - h) the York Neighbourhood Pride has been launched, building on the success of the original York Pride initiative to address specific local neighbourhood issues;
 - i) plans for sustainable waste management have progressed and an outline business case to DEFRA for PFI status has been submitted;
 - j) evidence of good progress being made in implementing the improvement plan to address known governance issues, improved call-handling arrangements following the successful launch of the new Customer Centre and the York Pride Action line and key milestones in respect of the Admin Accommodation project have been achieved;

- k) key development work progressing in respect of the corporate procurement development programme including the development of a robust regulatory framework, the Strategic Procurement Programme and the re-structure of the CPT to ensure it is fit for purpose and better able to deliver a demanding and complex support service across the organisation.

6 However, the DOT report also notes that:

- a) despite improvements in the Benefits service, the Council remained in the lower quartile for processing times in 2005/06. It should be noted however that performance in this area has since improved with officers reporting that;
 - i. the time taken to process new claims has improved from 40 days in 2005/06 to 35 days in 2006/07 (year to date in February 2007);
 - ii. the time taken to process changes in circumstances has improved from 28 days in 2005/06 to 16 days in 2006/07 (YTD in February 2007)
- b) whilst the Council's overall improvement through the LPSA was higher than the national average, a small number of specific stretch targets set by the Council for youth offending, housing benefits and educational attainment at Key Stage 3 and GCSE were not achieved;
- c) the triennial Best Value user satisfaction survey shows inconsistencies in the levels of user satisfaction with services at the Council, so that whilst satisfaction with some services such as recycling and street cleanliness increased significantly, satisfaction with some other services such as waste collection and sports & leisure have fallen;
- d) tight financial constraints continue to require careful management to ensure budget pressures in 2006/07 and savings targets for 2007/08 are achieved. This is known and officers report that the current projection for 2006/07 outturn will be at or slightly below the Budget set by Council for the year;
- e) there is a need to ensure that performance management arrangements are properly focused on the delivery of community outcomes and that the Council's community leadership role is exercised in such a way as to encourage the engagement and inclusion of all partners further to the LAA;
- f) failure to achieve affordable housing targets and increases in the overall housing waiting list. Officers report that the waiting list increased by 2.9% between 2005 and 2006 and this is thought to be largely due to lower turnover rates in tenancies and hence less housing opportunities becoming available in the period. In addition, whilst the Council failed to achieve its affordable housing target in 2005/06 it is important to note that the target referred to by the

District Auditor is an average annualised figure derived from a global five year target. To that end it is more meaningful to consider achievement across that time frame given the particular time-leads involved in housing provision of this kind and the fact that there will be peaks and troughs in terms of new provision coming on stream across the whole five year period;

- g) despite some progress in implementing the Equalities strategy overall, further work is needed to address the development of a consistent and effective approach to inclusion across all services;
- h) the Council remains one of the worst performing authorities in respect of sickness absence indicators which may be adversely affected further in light of growing capacity problems and the impact of the Job Evaluation scheme on staff relations and increased budgetary pressures;
- i) delays in progressing some aspects of the overall corporate procurement development programme, most notably the Corporate Procurement Strategy due to staffing problems in 2006;
- j) on-going need to ensure the Equalities strategy and the Risk Management strategy are fully embedded across the Council.

Next steps

- 8 Following the Executive's consideration of the Letter on the 27 March 2007, the Letter must be made publicly available in accordance with the relevant legislation by 31 March 2007. As in previous year's the Letter will therefore be published on the Council's website. An action plan setting out what will be done and by whom in response to the issues raised will be prepared and reported to the Audit & Governance Committee for in-year monitoring purposes by those Members charged with governance in accordance with the Council's Constitution. As last year, this will cover the key areas for improvement identified by the District Auditor.

Options

- 9 Not relevant for the purpose of the report.

Analysis

- 10 Not relevant for the purpose of the report.

Corporate Objectives

- 11 Not relevant for the purpose of the report.

Implications

- 12 There are no financial, HR, equalities, legal, crime and disorder or IT&T implications arising from this report.

Risk Management Assessment

- 13 Not applicable to this report.

Conclusions

- 14 The Annual Letter is generally positive and recognises much of the excellent progress made by the Council in 2005/06. Nonetheless the District Auditor notes some key areas for improvement which will be incorporated into the action plan arising from the annual audit letter and reported to the Audit & Governance Committee for on-going monitoring and progress chasing purposes.

Recommendations

- 15 It is recommended that the Executive:
- a) note the content of this report and the Annual Letter itself, attached as Annex 1 to this report, prior to its publication on the Council's website before 31 March 2007;

Reason

To comply with the statutory requirements for the external audit of the Council

- b) consider any particular matters to be included in the action plan in response to the issues raised by the District Auditor to be reported to the Audit & Governance in April 2007.

Reason

To ensure the effective management and follow-up of key action to be taken to support on-going development and improvement work at the Council

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Report Approved

Yes

Date 10 March 2007

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

Annexes

The Annual Audit & Inspection Letter 2005/06