

Derby City Council 2003/04 Joint Audit and Inspection Letter



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Ladies and Gentlemen

Joint Audit and Inspection Letter 2003/04

We are pleased to present our Joint Audit and Inspection Letter for 2003/04. We hope that the information contained in this report provides a useful source of reference for Members. The Cabinet is to consider the Letter on 18 January 2005.

Yours faithfully

PricewaterhouseCoopers LLP

Audit Commission Relationship Manager

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Executive summary

The purpose of this report

We are required, under the Audit Commission's Code of Audit Practice (the Code), to issue an annual Audit Letter to the Council on completion of our audit, demonstrating that the Code's objectives have been addressed and summarising all issues of significance arising from our work. Our report also includes a summary of the results of the inspection work undertaken during 2003/04 by the Audit Commission in accordance with their responsibilities as detailed in section 10 of the Local Government Act 1999.

The joint reporting of audit and inspection work in this format recognises the steps that the Audit Commission has taken to integrate more closely audit and inspection regimes, whilst recognising and maintaining their separate statutory responsibilities. The Audit Commission has appointed 'relationship managers' for all local authorities to co-ordinate planning and delivery of inspection work alongside the statutory audit work.

Whilst the inspection work undertaken at Derby City Council is carried out by the Commission, we have liaised closely with the Relationship Manager to ensure that our work is integrated with the inspection work.

The new approach is intended to provide a more proportionate and integrated approach to performance audit and inspection work.

The main area for an integrated approach has been in respect of performance review work, based on the improvement plan developed by the Council, following

the Audit Commission's Comprehensive Performance Assessment process (CPA).

Our Audit Plan set out the risks that we identified as part of our audit planning, together with the targeted work that we planned to perform in order to address these risks. The inspection work undertaken this year was a result of the Council's Improvement Plan.

We have issued a number of reports during the audit year, detailing the findings from our work. A list of these reports is included at Appendix A to this Joint Audit and Inspection Letter.

We have set out below what we consider to be the key issues arising from the audit and inspection work.

We are pleased to present an audit and inspection letter which contains a number of positive messages for members although we have identified some areas where we believe the Council will need to continue to demonstrate further development and improvement over the coming year.

Derby's overall CPA score has improved this year from 'good' to 'excellent'. Some services, such as libraries and leisure and environment services have shown measurable improvement and there are real improvements in the way the Council works.

Our three inspections of customer access, cultural services and the supporting people programme have all found promising prospects for improvement. Improvements have been made in all these areas and good plans are in place to facilitate further development. A lack of appropriate accommodation has been highlighted in our inspection work, although an accommodation strategy is currently emerging.

We are pleased to report that Performance management processes have improved, and officers have a greater understanding of both the need for effective performance management and of their role within the Council's corporate processes. However, there is a need to develop further the performance management framework, and we will be working with the Council to support this progress as part of our planned audit work in early 2005.

Our work in respect of the accounts this year was completed in an efficient and effective manner and we have issued the Council with an unqualified audit opinion on the accounts. The Council's finance team should be commended for their efforts in achieving an efficient and timely accounts closure process, and for the improvements made since last year.

In 2003/04, the Council managed its expenditure within budget. Looking forward, the setting and managing of budgets is becoming increasingly challenging where costs pressures in certain service areas are expected to increase to meet both operational demands and non operational commitments such as pension liabilities for the local government pension scheme.

We issued an unqualified opinion on the Council's 2003/04 best value performance plan. Work we have completed to date on the 2004/05 plan has demonstrated that improvements have been made to the systems in place for collecting and reporting performance indicators.

Council Performance

Key issues

The council has achieved excellence in its service delivery and received a service score of 4 overall. In terms of corporate capacity, the council has moved forward on all the areas of weakness identified by the 2002 corporate assessment.

It is apparent that there has been much progress towards the Council's vision of having an effective and fully integrated performance management framework, underpinned by an embedded performance management culture. Performance management processes have improved, and officers have a greater understanding of both the need for effective performance management and of their role within the Council's corporate processes. That said, the Council recognises that there is still a great deal of progress required to develop further the performance management framework, and we will be working with the Council to support this progress as part of our planned audit work in early 2005.

We issued an unqualified opinion on the Council's 2003/04 best value performance plan. Work we have completed to date on the 2004/05 plan has demonstrated that improvements have been made to the systems in place for collecting and reporting performance indicators.

CPA improvement reporting

- CPA scorecard
- Qualitative assessment

CPA Scorecard

In November 2004 the Council received a second corporate assessment inspection from the Audit Commission. The team reported on the progress made by the Council in 2004 and provided an update of the 2002 corporate assessment score.

The score for how the council is run has improved. Council services have also improved from an overall score of 3 out of 4, to 4 out of 4. The published scorecard, including the scores for individual services in 2003 and 2004, and summary comments for Derby, are reproduced below.

The Audit Commission published updated CPA judgements for all single tier authorities and county councils on 16th December 2004.

CPA Scorecard

Service	Score in 2003 (out of 4)	Score in 2004 (out of 4)
Education	3	3
Social Care (Adults)	2	3
Social Care (Children)	3	2
Environment	3	4
Housing	4	4
Libraries and Leisure	2	3
Benefits	3	3
Use of resources	4	4

Derby City Council has changed from being good to excellent.

It has made improvements in libraries and leisure services and also in environment services. Education and social care services performance is generally positive but there are some areas of weaker performance. The Council has maintained good performance in housing services.

The Council continues to invest and build capacity to deliver its priorities and this has resulted in improved performance in areas such as planning services and e-government. Capacity has been enhanced in relation to service access and the use of new technology. Despite recent improvements there remain some areas, such as recycling and benefits where performance indicators are still below the national average, in which the Council needs to demonstrate further improvement.

The inadequacy of buildings currently limits the Council's ability to deliver its ambitions and future plans, although the accommodation strategy is making some progress. Partnership working is a strength both at a corporate and service level. The Council is also improving its performance management systems.

Based on current plans, the Council is well placed to improve the way it works and the services it provides to local people.

Qualitative assessment

The Council has achieved excellence in its service delivery and received a service score of 4 overall. In terms of corporate capacity, the Council has moved forward on all the areas of weakness identified by the 2002 corporate assessment.

The Council, with its leadership by a minority Liberal Democrat/Conservative administration, has demonstrated effective management by getting all parties signed up to a consistent vision for the city. Mutual respect between officers and members is a particular strength and crucial to the efficient management of business as there have been several changes in the political composition over the past two years.

Ambition

The ambition for the city, articulated in the community strategy known as '20 20 Vision', and in the Derby Cityscape urban regeneration company agreed master plan offer a way forward to regenerate the city. The Local Strategic Partnership (LSP) is signed up to the strategic direction and all agencies are working together effectively to deliver '20 20 Vision'. Partnership working is a particular strength in Derby and the Council has continued to focus on its priorities.

Investment

The Council has proved effective at securing the necessary resources for investment. The Council has signed a Private Finance Initiative (PFI) to fund the building of five new schools and PFI credits have been approved for a street lighting scheme which is currently in procurement. In partnership with Derby Primary Care Trust, the Council is aiming to build a short break centre for children with disabilities. The Council has also been very successful at accruing funding through the Neighbourhood Renewal Fund and through meeting LPSA targets. The management of financial resources is sound.

Performance Management

A culture of continuous improvement has been facilitated within the Council by the Building for Excellence programme. Derby City is a soundly managed Authority and has refined its own processes to strengthen its ability to manage services and respond to challenges, particularly through its attention to performance management and the introduction of 'Performance Eye', introducing 360 degree appraisal across all directorates, and defining IT and accommodation strategies.

Although the Council is learning from others Derby City Council is cautious, and in some cases slow, in moving initiatives into full implementation. The Council's media and community engagement strategy does not give the Council the profile at the cutting edge of local government practice that it deserves.

Achievement

The Council's improvement trend, measured by statutory key performance indicators (PIs), is slightly stronger than last year's. Across all service groups its performance in 57% of PIs improved (compared to 52% last year), and it met 55% of its own targets. The Council has above average performance in 46% of PIs overall, with 27% in the best quartile and 19% in the worst. There remain areas of poor performance which the Council will need to improve significantly if it is to demonstrate achievement across all service areas.

The service score of 3 out of 4 for **education** has been maintained. Tackling underachievement in schools remains a priority. Performance in PIs for educational attainment is improving in all areas but remains below average; performance as reflected in PIs generally shows a mixed picture with

improvement in some areas and deterioration in others. Positive work has taken place with partners to address schools that are in special measures. Unauthorised absence is continuing to improve, but exclusions are increasing. Through its Local Public Service Agreement (LPSA) the Council targeted improving attainment in 20 schools; it is on track to meet targets at GCSE and KS3 level, but is unlikely to achieve its target at KS2.

The **benefits** service has maintained its previous score of 3. It has been an improvement priority since 2001, and the recent inspection of customer access commented on the track record of improvement in the service through the use of call centre technology, a queuing system and investment in staffing capacity. The Council reports that it is now meeting 95% of the Benefits Fraud Inspectorate's (BFI's) standards, and the BFI have commented positively on improvements to procedures and access. Whilst the Council has cleared its large backlog and has improved its performance in the speed and accuracy of processing all types of claim, all of the PIs relating to the service remain below average and the most recent (2003/2004) satisfaction levels are poor. Further improvements are now needed to ensure performance compares favourably with other authorities.

No inspections of **housing services** have been carried out over the last year and the housing service has maintained its 3 star excellent service with a CPA score of 4 out of 4.

In **social care services**, the Council has retained its 2 star rating from CSCI. Significant improvements have been made in its strategic approach to children's services and specific improvements have been made in key areas such as a reduction of the number of children on the Child Protection Register. However, mainly as a result of recruitment difficulties, performance has deteriorated in relation to the completion of child protection reviews within timescales and on completion of core assessments to timescales. This is being addressed and performance during 2004/05 has significantly improved. In services for adults and older people the Council has responded to Government priorities to promote independence and continues to work positively with partners. The Council is already a good performer on adult services indicators and has improved performance on two existing indicators and performed well on new indicators. Developing the Older Person's Strategy and undertaking the Best Value Review of Home Care for Older People will be essential in making further progress on services designed at promoting independence.

The Council has improved its **libraries and leisure** CPA score to 3 out of 4. The inspection of cultural services during 2004 found a good service with promising prospects for improvement. The inspection commented on the growing vibrancy in the city, effective partnerships and pockets of excellence, including the very successful new children's mobile library (the "Reading Rocket"). Satisfaction with sports and leisure and with arts venues is in the best quartile, but with libraries is below average.

The Council has improved its **environment services** CPA score to 4 out of 4. Recycling performance is improving and people are satisfied with the service. However, the council remains behind its DeFRA targets. It continues to collect more waste per head than average and performs in the worst quartile for sending waste to landfill. It is confident that by 2005/06 it will meet its principle target of recycling 33% of household waste through its phased roll-out of twin bins. The council has successfully piloted this approach in one area as part of its LPSA, and achieved rates that were well in excess of the target.

Deciding planning applications more quickly is an improvement priority, and the Council has used planning delivery grant to restructure the service to support this. The time taken to decide all types of planning applications has improved, and for minor and other types has moved into the 2nd quartile. However, the Council is not improving quickly enough to keep pace with other councils in approving major applications. It slipped to worst quartile this year, and missed its target.

The Government's assessment of the Council's local transport plan – Connecting Derby – has increased to "well above average". The proportion of footpaths that are easy to use and pedestrian crossings with facilities for the disabled have increased, and measures of the condition of the cities roads are in the top quartile.

Other performance audit and inspection work

- Customer access Inspection
- Cultural services Inspection
- Supporting people programme Inspection
- Performance management framework

- Best Value
- Youth Offending Team (YOT) Data Assurance Audit

Customer access Inspection

We have assessed the Council as providing a 'fair', one-star service that has promising prospects for improvement.

The Council has improved its approach to customer access, for example it is providing an improved service in benefits through the use of call centre technology, a queuing system and the application of more staff. The main reception area and the reception and interview facilities for the Derby Advice Service have been improved. Front line staff are considered responsive, helpful and customer focussed.

However, the Council is not providing an integrated service between the three main access routes: telephone, face to face and electronic. Accordingly it is not actively promoting service access to the public in a coordinated and consistent way. Specific weaknesses include: a large number of "hotlines"; a lack of consistent opening hours; and varying levels of service between contact points. The Council is making progress in addressing these issues.

Within the Council there is a clear commitment to improve service access. Consultation has been used to identify what matters to the public and these issues have been prioritised in its improvement plan. The Council is establishing key building blocks such as a new customer care strategy and standards; the piloting of new technology; and the appointment of a customer services manager.

There remain areas to address. The timescale for a totally redesigned service is not until 2007 increasing the importance of prioritising current projects to result in tangible improvements for members of the public. Future plans for Council accommodation arrangements are being progressed, but have not been finalised, and there is still uncertainty concerning the impact of the accommodation strategy on the way that service access will be delivered.

Cultural services Inspection

We have assessed the Council as providing a 'good', two-star service that has promising prospects for improvement.

The Council has made clear linkages between its priorities for cultural services and those of the community it serves. It is also aware of regional and national priorities and shapes services around them in the context of local needs. Residents and visitors benefit from a wide range of services. The inspection found a long list of improvements and a growing vibrancy in the city, attributable to the success of the diverse range of partnerships in providing current and future opportunities. There are pockets of excellent performance, for example in the outcomes of the development of the PE and school sports co-ordinator role.

Services are starting to measure impact but this is not embedded as a process to drive service development and more work is needed in this area.

Low resource levels have forced services to find and sustain good partnerships to develop services; whilst there is a strong track record of achieving improvement through securing external funding and partnerships, there is also a significant reliance on external funding.

The Council now has a stronger vision of the importance of cultural services in delivering its objectives and has sharpened its focus on the services which feature in its 'priorities for change'. Overall quality of services is impaired by the substantial number of poor buildings in which services are delivered and a long term lack of investment in infrastructure. The ability to progress its ambitions is, in many areas, dependent on the future plans for the accommodation for the Council as a whole.

Supporting People Programme Inspection

Following a joint inspection by the Audit Commission Housing Inspection team, in partnership with inspectors from HMIP (Her Majesty's Inspectorate of Probation) and CSCI (Commission for Social Care Inspection) - we have assessed the Council as providing a 'fair', one star service that has promising prospects for improvement.

The inspection found that services are of generally good quality and are achieving positive outcomes for service users. The engagement and commitment of partners is also highlighted as a strength. On the financial side grant management and monitoring is robust, and savings are being achieved from the review programme.

A number of weaknesses with the Supporting People programme were identified. Significantly, the productivity and effectiveness of the team has been

compromised by high turnover, sickness and lack of cohesion – although this is now being tackled, which is likely to create a more stable and productive environment for the future. The inclusive forum has not proved to be an effective vehicle for the consultation of users, and user and carer influence on the five year strategy has been limited. Access to information and services is inconsistent and unco-ordinated.

The Council has developed new, strategically relevant services to address identified gaps in provision. In addition the commissioning body is a driving force for improvement and there is strong corporate support for the programme. There are, however, some areas in which the Council needs to improve: user consultation and involvement needs to be intensified; there are no specific activities planned within Supporting People to enhance access to services.

Performance management framework

Effective performance management lies at the heart of a good council and underpins the delivery of improved local services: if you don't know how good or bad you are, you can't identify the scope for improvement. The Audit Commission's CPA of Derby identified opportunities for the Council to improve its existing performance management framework. As part of the targeted audit work included in the audit plan for 2002/04, we agreed to support the Council in exploiting these opportunities by undertaking a review of the Council's performance management arrangements.

We reported our findings of this review to members in November 2003. The aim of the review was to consider how well the Council's Performance Management Strategy was addressing key performance management issues within the Council and how well it was being implemented across departments. Overall it is apparent that there has been much progress towards the Council's vision of having "*...an effective and fully integrated performance management framework, underpinned by an embedded performance management culture.*" We found evidence that processes had improved and that officers now had a greater understanding of both the need for effective performance management and of their role within the Council's corporate processes. We also identified areas where we believe that the Council can take forward the performance management strategy, and our report included recommendations to help the Council achieve this.

We have agreed with the Director of Finance that we will follow up this review in early 2005, once the Council's new performance management system has been fully implemented. This follow up work will include a workshop to support managers in setting meaningful performance targets.

Best value

Under the Local Government Act 1999 we are required to carry out an audit of the Council's best value performance plan (BVPP). We issued an unqualified opinion on, and reported on our work in relation to, the 2003/04 BVPP (issued in June 2003) as part of our prior year audit letter.

We are currently in the process of completing our audit work on the Council's BVPP for the year ended 31 March 2005, and we will issue our opinion on the plan prior to 31 December 2004. The work includes audit testing of the Council's best value performance indicators (BVPIs). We are pleased to report that we identified fewer issues in relation to our BVPIs work compared to last year, although we raised a reservation in relation to BVPI 174 (racial incidents per 100,000 population) due to incomplete data, and a number of the indicators were amended following our work.

Youth Offending Team (YOT) Data Assurance Audit

We completed our review of data assurance within the Council's YOT at the end of October 2004. The work was undertaken at the request of the Youth Justice Board (YJB) for England and Wales and Derby was one of fifteen authorities chosen at random to sample test the completeness and accuracy of data submitted to the YJB together with a review of the management arrangements in place to gather the data.

Our overall assessment showed that management arrangements are generally adequate with the majority of best practice procedures in place. However, we recommend that the Authority develops a policy document to aid them in the delivery of accurate data quality. Our testing of the completeness of the records held by the YOT was good with less than 10% of the records examined containing missing or incomplete data. Our testing of the accuracy of a sample of the returns made to the YJB showed that some data matches were possible but more than 20% of the data fields tested failed to match to YOT return and the differences could not be substantiated. We have made a number of recommendations to the YJB to improve their performance in this area during 2004/05.

Accounts and Governance

Key issues

The Council's finance officers should be commended for their efforts in preparing for our audit this year. As a result we were able to complete our work in an efficient and effective manner. We are issuing an unqualified opinion on the Council's 2003/04 statement of accounts.

In 2003/04, the Council was required to produce more detailed information than before on future pension liabilities. This information indicates that, in setting the budget for 2005/06 and beyond, additional funds will need to be set aside for employer's contributions to the local government pension scheme.

In 2003/04, the Council managed its expenditure within budget, although significant overspends were reported for Social Services (£682,000). This was offset by a number of corporate under spends during the year.

Looking forward, the setting and managing of budgets is becoming increasingly challenging where costs pressures in certain service areas are expected to increase to meet both operational demands and non operational commitments such as pension liabilities for the local government pension scheme.

We are satisfied that the Council has made good progress in implementing the Prudential Framework, although some further work is required in developing local arrangements to ensure that the opportunities to maximise future available capital resources are maximised.

Accounts

The purpose of our accounts work was to perform an audit of the final accounts of the Council, in accordance with approved Auditing Standards.

Last year we experienced some delays in obtaining sufficient audit evidence to support certain transactions and balances included with the accounts. In order to overcome this we held a workshop with finance officers from the Council prior to the audit.

We are pleased to report that the working papers requested were made available at the start of our audit. The standard of working papers to support underlying transactions incorporated within the accounts were of a high standard. The Council's finance officers should be commended for their efforts in providing good working papers and prompt assistance during the course of our audit. This assistance aided the completion of our audit in a timely and efficient manner.

The Director of Finance presented our "SAS 610 report" (setting out the findings from our accounts work) to Cabinet on 31st August 2004. There were no matters in that report, or that have arisen subsequently, that we need to bring to your attention in this letter. We have issued an unqualified audit opinion on the Authority's 2003/04 financial statements.

Financial Reporting Standard (FRS) 17: Retirement Benefits

2003/04 was the first year of full implementation of FRS 17. The FRS is concerned with identifying the real underlying financial position of an authority with regard to its participation in pension schemes.

Preparation of the disclosures has required the Council to commission expert advice from actuaries, via Derbyshire County Council, for staff in the local government pension scheme. This advice is used to present more detailed information about the Council's longer-term financial position than required under previous accounting treatments. Based on our work, we are satisfied that the new pensions disclosures made in the 2003/04 accounts are consistent with FRS17.

The availability of information as required under FRS 17 has provided the Council with advance information about the likely impact on employer's contribution rates of the next full valuation of the Derbyshire Superannuation Fund that will impact on the 2004/05 financial position. Recent trends in the stock market suggest that the valuation may confirm a worsening position in the fund that would require the Council to fund an increase in contribution rates in the future.

Financial standing

In this section we comment upon the Council's general financial standing taking into account both its performance during the last year and its ability to meet known financial obligations.

For 2003/04, the Council's net operating expenditure was £256.8million an increase from £225.8 million in 2002/03. After adjusting for changes in depreciation and pensions accounting adjustments the net increase in service costs was £17 million or 2.3% . This level of expenditure was in line with budget and at the end of the year the Council reported a surplus of £0.6 million, after making a net contribution of £1.4million to earmarked reserves.

Overall, the Council managed its expenditure within budget, although significant overspends were reported for Social Services (£0.7 million). This was offset by a number of corporate under spends during the year. The overspending in Social Services was largely due to higher than anticipated expenditure in relation to childcare and fostering. In light of the overspend, and in response to previous recommendations made by ourselves, the Council are taking steps to review the Social Services budget in a more effective way.

The Council's overall level of earmarked and general reserves have increased year on year representing a net increase in available resources from £41.1 million as at 31 March 2003, to £56.8 million as at 31 March 2004. Most of this increase is made up of additional funds set aside to help support the Council's capital programme.

31 March 2003	Item	31 March 2004
£3.2m	Useable capital receipts reserve	£8.4m
£11.7m	Earmarked capital reserves	£17.7m
£4.9m	General revenue reserve	£5.5m
£6.0m	Schools' balances	£5.9m
£1.1m	Housing revenue reserves	£1.4m
£14.2m	Other earmarked revenue reserves	£17.9m
£41.1m	Total reserves	£56.8m

It is important that the Council maintains a sufficient level of reserves to meet both known current and future liabilities and also future operational cost pressures. Based on the Council's net expenditure for the year, we have concluded that the level of uncommitted general reserves is adequate.

Looking forward, the setting and managing of budgets is becoming increasingly challenging where costs pressures in certain service areas are expected to increase to meet both operational demands and non operational commitments such as pension liabilities for the local government pension scheme.

With the Government seeking to impose limits on future Council Tax increases, the Council will need to ensure that robust plans are in place to minimise the impact of any future overspends. However, planned increases in the level of council tax levied by the Council, based on the 2004/05 and 2005/05 budgets, are well within the Governments limits.

The Council's Housing Revenue Account (HRA) made a surplus of £0.4 million for the year, increasing the level of HRA reserves from £0.9 million as at 31 March 2003 to £1.3 million as at 31 March 2004. This is in line with the HRA Business Plan and three year budget.

Prudential Framework for Capital Expenditure

From 1 April 2004, the Authority has been able to plan its capital expenditure under the new Prudential Framework, which focuses on the Council's ability to afford the consequences of spending decisions from future years' revenue accounts and allows it to set its own limits on the borrowing needed to achieve an affordable capital strategy.

We have reviewed the steps the Council took in 2003/04 to prepare for the implementation of the Prudential Framework, including the process for setting limits and indicators under the CIPFA Prudential Code. We are satisfied that the Council has made good progress in implementing the Prudential Framework, although some further work is required in developing local arrangements to ensure that the opportunities to maximise future available capital resources are achieved. In particular we noted the need:

- To consider risks associated with the impact of any future changes to required accounting practice;
- For separately identifiable monitoring in respect of prudential borrowing separately identify in addition to overall capital monitoring; and
- For more comprehensive briefings for senior officers and members on the prudential code and how the Council intends to use prudential borrowing.

Statement of internal control

The Accounts and Audit Regulations 2003 included a requirement that the statement of accounts prepared by an authority in England should contain a statement on internal control (SIC) from 2003/04. These statements refer to much wider systems of control than purely financial systems and require the Council to have in place such systems of control. Authorities are required to conduct annual reviews of the effectiveness of the system of internal control, which will provide the findings to support the SIC. The SIC included within the Authority's 2003/04 statement of accounts meets the requirements of the Regulations.

We have discussed with the Director of Finance some minor control issues identified during the course of our audit, however, none of these were considered to be material.

We have also issued a report to the Director of Finance reporting the results of our review of IT systems at the Council, as shown at Appendix A. This also included the results of our review of computer controls. Overall we concluded that the operation of the Council's systems was sufficient to support our planned audit approach.

Grant claims certification

As the appointed auditor to the Council, we are required to certify a number of the Council's grant claims on behalf of the Audit Commission. This certification work does not form part of our audit work, and is subject to separate fees. Following the completion of our grant certification work for 2002/03, we agreed with the Director of Finance that there were areas where both we and the Council could improve the efficiency and effectiveness of this work, particularly as the Audit Commission has introduced new certification arrangements for 2003/04.

As part of our planned audit work for 2003/04, we arranged a grants certification workshop with officers from across the Council in August 2004 to consider the Audit Commission's new certification arrangements, and how we could make best use of the opportunities these new arrangements presented to reduce the financial impact of grant certification work on the Council. We were delighted with the positive response we received from officers to the workshop, and the ideas that were generated on both sides to improve performance. We have agreed a shared action plan to ensure these improvements are implemented, and from the certification work that we have completed since the workshop, we have already seen significant improvements in the grants certification process.

Internal audit

In accordance with the 'managed audit' approach we worked closely during the year with internal audit to ensure that between us we achieved appropriate coverage of the Council's key financial systems.

In addition, we undertook a specific review of the Council's internal audit function to assess compliance against the CIPFA's new Internal Audit Code of Practice. It is expected that all authorities should comply with the best practice guidance set out in the Code of Practice. We are pleased to note that overall we concluded that the Council is generally compliant with the Code. However, our review did identify some areas that need to be developed further and we have raised a number of recommendations in a separate report to the Director of Finance. We will follow up progress being made by the Council in implementing our recommendations as part of our 2004/05 audit work.

CPA scored judgements

Under the Code of Audit Practice each year we are required to submit 'auditor scored judgements' to the Audit Commission as part of the Comprehensive Performance Assessment (CPA). Based on set criteria we are able to 'score' the Council under each of the five categories for assessment. The results of our assessment are set out below.

Category	Score
Financial standing	4
Internal financial control	3
Standards of financial conduct and prevention of fraud	4
Financial statements	3
Legality of significant financial transactions	4

1= inadequate; 2= adequate overall/some weaknesses; 3= adequate; 4= better than adequate.

These scores are consistent with last year, although we have recognised improvements in both the financial standing and the financial statements categories.

Standards of financial conduct and the prevention and detection of fraud and corruption and the legality of financial transactions

We are pleased to report that there are no issues arising from our audit work in relation to financial conduct, fraud or the legality of financial transactions that we wish to bring to your attention.

Audit plan 2004/05

Audit Plan 2004/05

Given the dynamic environment within which you operate, we will revisit our 2004/05 Audit Plan to ensure that it remains appropriate for the 2004/05 financial year.

Fees update for 2003/04

We reported our fee proposals as part of our Audit Plan for 200/04. These fee proposals covered the 2002/03 and 2003/04 audits. We can confirm that our actual audit fees for 2002/04 were in line with our proposals (£475,000). Actual inspection fees for 2003/04 were £53,040, which were also in line with our proposals.

Appendix A: Audit and Inspection reports issued in relation to the 2003/04 financial year

Audit Reports

- Final audit certificate for closure of 2002/03 audit
- Audit report for 2003/04 financial statements
- BVPP opinion and report issued in 31 December 2003
- CPA auditor scored judgements issued in October 2004
- SAS 610 report issued in August 2004

Inspection Reports

- Customer access
- Cultural services
- Supporting people programme

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

We perform our audit in accordance with the Audit Commission's Code of Audit Practice (the Code), which was last issued in March 2002. This is supported by the Statement of Responsibilities of Auditors and Audited Bodies, which was last issued in April 2000. Both documents are available from the Chief Executive of each audited body.

The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end, and what is to be expected of the audited body in certain areas.

Our reports and audit letters are prepared in the context of this statement and in accordance with the Code.

Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.