



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
28 JUNE 2007**

ITEM XX

Report of the Acting Corporate
Director - Resources

ANNUAL AUDIT AND INSPECTION LETTER 2005/6

RECOMMENDATIONS

- 1.1 To receive the Annual Audit and Inspection Letter 2005/6.

SUPPORTING INFORMATION

- 2.1 The Annual Audit and Inspection Letter 2005/6 was reported to Council Cabinet on 17 April 2007 and to Full Council on 23 May 2007. Appendix 2 contains the Council report.
- 2.2 It was recommended by Council Cabinet that the Audit and Accounts Committee discuss the details of the Letter at its next meeting.
- 2.3 External Audit will attend this meeting and intend to go through the Letter in detail.

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Background papers: None

List of appendices: Appendix 1 – Implications
Appendix 2 – Council report Annual audit and Inspection Letter 2005/6

IMPLICATIONS

Financial

1. As per the Council report.

Legal

2. As per the Council report.

Personnel

3. None directly arising from this report.

Equalities impact

4. None directly arising from this report.

Corporate priorities

5. None directly arising from this report.



DERBY CITY COUNCIL

COUNCIL CABINET
17 APRIL 2007

Cabinet Member for Corporate Policy

ANNUAL AUDIT AND INSPECTION LETTER 2005/06

SUMMARY

- 1.1 The Annual Audit and Inspection Letter summarises the Audit Commission's and the Council's external auditors, PriceWaterhouseCoopers performance and inspection work for 2005/06 and provides the annual 'Direction of Travel statement' on progress made in addressing our priorities and the auditor's work on the Council's accounts and governance.
- 1.2 The letter provides an extremely positive report on the Council's progress in 2005/06 and its continuing good governance and financial management.
- 1.3 The key issues identified in the letter are as follows...
 - The Council has achieved the highest '4 star' overall CPA category and is assessed as 'improving well'.
 - The Council is meeting many of its targets and trends are positive.
 - Improvements have been achieved in areas where increased focus and investment was required, including adults services, planning and benefits service.
 - The Council has improved access to services through the Derby Direct contact centre and by the development of its neighbourhood panels.
 - Partnership working through the Local Area Agreement is progressing well.
 - Children's services overall are performing well and significant progress has been made in the integration of health, social care and education services.
 - Housing services received the top category and are rated as 'excellent'.
 - Value for money is good and robust financial management remains a key strength.
 - The external auditors have issued an unqualified opinion on the 2005/06 Best Value Performance Plan and annual accounts.
- 1.4 Subject to any issues raised at the meeting, I support the following recommendations.

RECOMMENDATIONS

- 2.1 To receive the Annual Audit and Inspection Letter 2005/06.
- 2.2 To refer the letter to the next meeting of Full Council.
- 2.3 To note that the Audit and Accounts Committee will discuss details of the letter at its next meeting.



DERBY CITY COUNCIL

COUNCIL CABINET
17 APRIL 2007

Report of the Chief Executive

ANNUAL AUDIT AND INSPECTION LETTER 2005/06

SUPPORTING INFORMATION

1. BACKGROUND

- 1.1 The Audit Commission and the Council's external auditors PriceWaterhouseCoopers produce an annual Audit and Inspection Letter on their performance and inspection work.
- 1.2 The current letter provides the annual 'Direction of Travel statement' on progress made in addressing our priorities and the auditor's work on the Council's accounts and governance for 2005/06.
- 1.3 The letter provides an extremely positive report on the Council's progress in 2005/06 and its continuing good governance and financial management.
- 1.4 The key issues identified in the letter are as follows...
 - The Council has achieved the highest '4 star' overall CPA category and is assessed as 'improving well'.
 - The Council is meeting many of its targets and trends are positive.
 - Improvements have been achieved in areas where increased focus and investment was required, including adults services, planning and benefits service.
 - The Council has improved access to services through the Derby Direct contact centre and by the development of its neighbourhood panels.
 - Partnership working through the Local Area Agreement is progressing well.
 - Children's services overall are performing well and significant progress has been made in the integration of health, social care and education services.
 - Housing services received the top category and are rated as 'excellent'.
 - Satisfaction with waste collection has fallen.
 - Value for money is good and robust financial management remains a key strength.

- The external auditors have issued an unqualified opinion on the 2005/06 Best Value Performance Plan and annual accounts.

1.5 It is expected that the contents of the letter will be reported to Members at a formal meeting of the Council, in accordance with the Council's constitution.

1.6 A copy of the Annual Audit and Inspection Letter for 2005/06 is attached at Appendix 2.

For more information contact: Gordon Stirling 01332 258457 gordon.stirling@derby.gov.uk

Background papers:

List of appendices:

Appendix 1 – Implications

Appendix 2 – Annual Audit and Inspection Letter 2005/06

IMPLICATIONS

Financial

1. Audit Fees for 2005/06 of £252,480 were in line with the proposals in the Audit Plan.

Legal

2. The Annual Audit and Inspection Letter has been produced in accordance with Section 10 of the Local Government Act 1999 and the Audit Commission's Code of Audit Practice.

Personnel

3. None directly arising from this report.

Equalities impact

4. None directly arising from this report.

Corporate priorities

5. None directly arising from the report.

Annual Audit and Inspection Letter

March 2007



Annual Audit and Inspection Letter

Derby City Council

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

Status of our reports

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

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

Reports prepared by appointed auditors are:

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

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

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Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council, and inspections that have been undertaken in the last year and from a wider analysis of the Council's performance and its improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 Our recently published summary gives an overall assessment of the Council's progress over the previous 12 months.

The Council is meeting many of its targets and trends are positive. Improvements have been achieved in areas where increased focus and investment was required, including adult services, planning, and the benefits service. The Council has improved access to services through the Derby Direct contact centre and by the development of its neighbourhood panels. Urban regeneration of the city centre continues apace with new employment opportunities created. Partnership working through the Local Area Agreement is progressing well. Children's services overall are performing well and significant progress has been made in the integration of health, social care and education services. Housing services are assessed as 'excellent'. Crime has gone down in a number of areas including domestic burglaries and vehicle crime. Satisfaction with waste collection however has fallen.

Plans for the future are inclusive and well informed, based upon consultation and partnership working. Value for money is good and robust financial management remains a key strength. Having plans for the future that are realistic and aligned to local priorities makes it likely that progress will continue to be made and sustained.

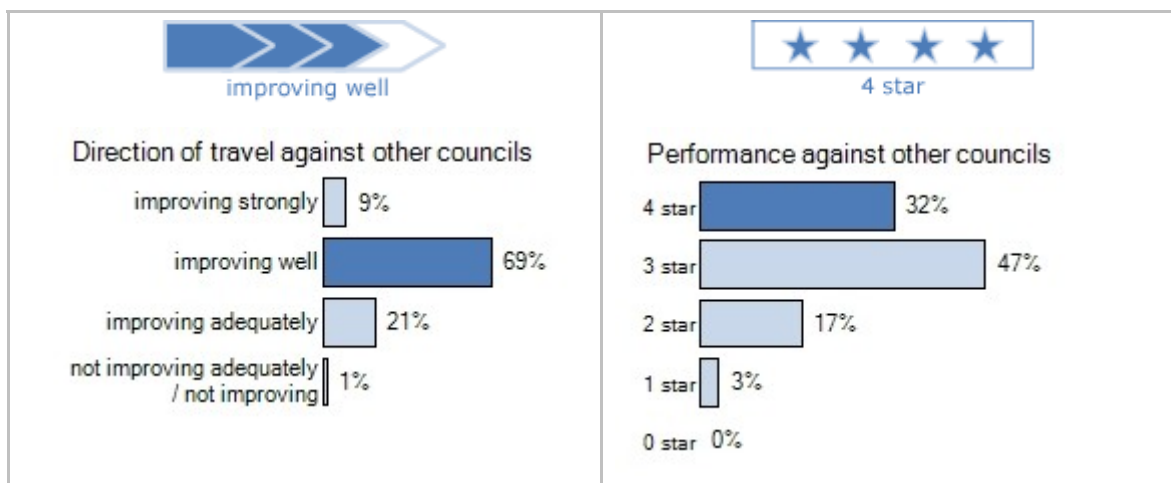
Source: Audit Commission Direction of Travel scorecard February 2007

- 4 The Council continues to fulfil its statutory duties with regard to financial stewardship and reporting effectively and your appointed auditor has given an unqualified opinion of the Council's 2005/06 financial statements.
- 5 The overall financial standing of the Council continues to be sound. The financial position in the medium term is less certain and continued monitoring of the financial risks facing the Council remains essential.
- 6 The Council achieved an overall Use of Resources score of 3 out of 4. The Council achieved improved scores for two key lines of enquiry and achieved the top score of '4' in four of the eleven areas assessed.

How is Derby City Council performing?

- 7 The Audit Commission's overall judgement is that Derby City Council is improving well and we have classified Derby City Council as four-star 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.

Table 1



Source: Audit Commission

- 8 The detailed assessment for Derby City Council is as follows.

Our overall assessment - the CPA scorecard

Table 2 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	4 Stars
Children and young people	3 out of 4
Social care (adults)	3 out of 4
Use of resources	3 out of 4
Housing	4 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	3 out of 4
Corporate assessment/capacity to improve	3 out of 4

(Note: 1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

- 9 Derby City Council has maintained its leading role in developing and delivering broader community outcomes. The Local Area Agreement (LAA) has been refined and updated and is progressing well. Partnership working, informed by extensive local consultation, continues to be a key strength.
- 10 The key areas of children's and adult's services are performing well. In children's services the Council is making significant progress in the integration of services and is developing innovative approaches to service delivery. Outcomes for children and young people are consistently good across all areas and there is strong and effective leadership at all levels. Clear outcomes have been achieved in adult social care services, for example, the Council continues to perform well in promoting independence in maintaining people in their own homes, reducing waiting times for adaptations and promoting direct payments. Capacity to deliver further improvements has been assessed as promising.
- 11 The Council has successfully focused resources upon areas of previously identified underperformance. For example, the timescales required to process all types of planning applications have improved. The Council did not achieve its recycling target in 2005/06; it recycled or composted 26.4 per cent of its waste against a target of 27.5 per cent. However performance in 2006/07 is improving with the latest figures showing that household waste recycled or composted has now reached 35 per cent. The cost of the waste collection service has risen in comparative terms to deliver these improvements. Public satisfaction with recycling facilities is very high. Satisfaction with waste collection however has fallen from 84 per cent to 77 per cent which has resulted in a drop in the Council's Comprehensive Performance Assessment (CPA) score for the environment.
- 12 The Council plays a key role in delivering better outcomes for the wider community. The Derby Cityscape regeneration partnership has several ongoing projects currently underway to significantly develop the city centre, which are now being delivered, such as the Riverlights redevelopment. Derby Homes ALMO (Arms Length Management Organisation) continues to perform strongly, and has been assessed by the Audit Commission as a three star service with excellent prospects for further improvements.

- 13 A strong commitment to partnership working is delivering improvements against the Council's priority of 'improving the quality of life in Derby's neighbourhoods'. The Derby Community Safety Partnership and community policing initiatives, as part of greater neighbourhood focused working, are positively reflected by further reductions in domestic burglaries, robberies and vehicle crime. Notable progress has been made across a wide range of areas including reducing fuel poverty, promoting fire safety and supporting victims of domestic violence. Residents' perceptions of the extent of problems such as graffiti, rubbish and litter, abandoned cars and anti-social behaviour have all improved. The Council is therefore able to demonstrate tangible improvements in building safer and stronger communities within the city.
- 14 The Council is making progress in delivering improved value for money, which is a priority of the Corporate Plan. Efficiency targets are built into budgets during the service planning process. Efficiency gains have been delivered and are on course to meet or exceed Government targets.
- 15 Further work has been undertaken to engage the community in service delivery and service planning. A revised consultation strategy was agreed in September 2006. The Council has reviewed the functions of its five equalities forums to increase their effectiveness. Improved consultation channels have increased the opportunities for the broader community to participate and increased the likelihood of reaching all sections of the community.
- 16 Access to services has been improved by the Derby Direct initiative which has been enabled for a number of front line services, with further services yet to be added. Investment has been made in the implementation of a new IT system to manage and process housing benefit claims. Performance of the service continues to improve, but remains below national service standards.

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

- 17 The Council has in place a range of robust and realistic future plans. Derby's Corporate Plan 2006-09 sets out clear priorities, developed through widespread consultation and establishes targets for assessing outcomes. Progress against key priorities from earlier plans is objectively reviewed. The Best Value Performance Plan 2006-07 gives indications of past performance against targets, and establishes future challenging targets and how success will be measured. The Council has effectively communicated its priorities for the future and how it will deliver them.
- 18 A wide-ranging and robust performance management framework is underpinned by the 'Performance Eye' system. Performance monitoring is rigorous and enables corrective measures to be applied where necessary to address deficiencies. Quarterly reports are submitted to Cabinet and currently 82 per cent of Performance Indicators are forecast to meet or exceed targets.

- 19 Financial and budgetary management remains a clear strength which supports the sustainability of service improvements. Further improvement has been made in embedding a value for money culture across all service areas, with senior managers being responsible for evidencing delivery of value for money. The budget planning cycle has been brought forward to further enhance future planning capabilities. There is effective leadership, robust arrangements for planning and delivering services and strong partnership working. The Council is therefore well-placed to sustain improvements in services to local people.

Service inspections

- 20 The Arms Length Management Organisation - Derby Homes - retained its three stars rating with excellent prospects for improvement. Our inspectors found:
- a range of ways that services can be accessed effectively, some strong examples of effective customer care and clear service standards across the majority of service areas;
 - a three-year, £93 million programme of improvement works, focused on achieving the Government's decent homes standard, has been very well co-ordinated and delivered in a customer focused manner;
 - day to day repairs are carried out promptly and satisfaction levels are high;
 - tenant participation is well developed with a range of opportunities to influence services at strategic and operational levels;
 - robust processes are in place for rent collection and arrears recovery, and these are well integrated with the provision of welfare benefits and debt advice;
 - tenancy management is comprehensive, there are effective procedures in place for tackling anti-social behaviour and activities are well co-ordinated with partners;
 - estates are well maintained and there is a clear focus on co-ordinating activities to strengthen sustainability; and
 - there is a clear focus on value for money and this has had a significant impact on some areas of the service including the major works programme which has been the highest area of expenditure in recent years.

Financial management and value for money

- 21** Your appointed auditor has reported separately to the Audit and Accounts Committee on 28 September 2006 on the issues arising from the 2005/06 audit and has provided:
- an unqualified opinion on your 2005/06 financial statements;
 - an unqualified use of resources conclusion; and
 - an unqualified opinion on the 2005/06 Best Value Performance Plan.
- 22** In respect of the 2005/06 financial statements audit, your appointed auditor has reported that:
- there were no unadjusted misstatements that needed to be brought to the attention of members;
 - there were no material weaknesses noted in the Council's accounting and internal control systems during the 2005/06 audit;
 - the presentation of the 2005/06 financial statements and standard of working papers to support underlying transactions were of a good standard; and
 - there were no matters of irregular expenditure, fraud or misconduct, or poor standards of financial integrity that we need to bring to your attention.
- 23** In relation to the overall financial standing of the Council, your appointed auditor has continued to assess the Council's management of its finances as strong. The Council has recently approved its 2007/08 budget which requires a council tax increase of 4.9 per cent. The Council has identified over £7 million of savings to help meet rising costs, particularly in home care and for children looked after by the Council.
- 24** The Council has also reviewed indicative budgets for the 2008/09 and 2009/10 financial years. Whilst there is a balanced position, this assumes that further savings can be achieved. In addition, there are continuing uncertainties regarding the costs of major programmes including single status job evaluation and waste disposal. Effective monitoring of financial risks will therefore remain essential going forward but your appointed auditor believes that the Council is well placed to achieve this.
- 25** The findings of the appointed 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).

10 Annual Audit and Inspection Letter | Financial management and value for money

- 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).

26 For the purposes of the CPA your appointed auditor has assessed the Council's arrangements for use of resources in these five areas as follows:

Table 3

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

(Note: 1 = lowest, 4 = highest)

- 27 The overall assessment score of 3 out of 4 was unchanged from the prior year, although there were some changes to scores for individual key lines of enquiry as follows:
- the Council promotes external accountability (from 3 to 4); and
 - the Council manages and improves value for money (from 3 to 4).
- 28 The Council should continue to develop its arrangements in line with best practice in order to achieve an overall assessment score of 4. Your appointed auditor is drafting a separate report setting out the main areas for further development in this respect.
- 29 In December 2006, your appointed auditor also reported on the Council's arrangements for data quality in relation to performance indicators, based on a methodology developed by the Audit Commission. Overall, the Council's data quality arrangements were judged to be 'consistently above minimum requirements' with an overall score of 3 out of 4. Your appointed auditor identified some areas for improvement which officers have acknowledged and are responding to.
- 30 In July 2006, your appointed auditor reported to officers on the outcome of grants certification work undertaken on 2004/05 grant claims. The auditor identified that there was scope for the Council to improve its arrangements for managing the certification process, including the preparation of working papers. Improvements in this area are being made with the objective of reducing the volume of audit queries and the time required to complete the certification process.

Conclusion

- 31 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the cabinet in April 2007.
- 32 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

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

Stephen Barnett
Relationship Manager

March 2007