

Annual Audit and Inspection Letter

Gedling Borough Council

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Reference: GE001 Annual Audit and Inspection Letter

Date: December 2004

Introduction

This is our audit and inspection 'Annual Letter' for Members, which incorporates the Annual Audit Letter for 2003/04, and is presented by the Council's Relationship Manager - Mike White, and the District Auditor - Andrew Blackburn. The Letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Council.

Appendix 1 sets out the scope of audit and inspection. Appendix 2 provides information about the fees charged.

Key messages

In November 2003 Gedling Borough Council was assessed as 'good' under the Comprehensive Performance Assessment (CPA) framework. Since then you have produced your first formal Strategic Corporate Plan (2004/07) and set out your improvement priorities across 12 themes.

You are monitoring progress against 'improvement tasks' through your performance management framework which assigns responsibility, outcomes and timing. Regular monitoring takes place at both departmental and corporate level. During 2004 you have put particular focus on achieving improvement milestones in four main service and corporate areas including planning services; vision, priorities and medium-term financial strategy; internal corporate leadership and communication; and effective Member training and support.

For the year 2003/04 audited key performance indicator (KPI) comparisons show that the Council has 63 per cent of its KPIs above the median for all district councils, compared with 68 per cent in 2002/03, which shows the Council is declining slightly in its relative position in a context of general national improvement. However more significantly, the Council improved on

55 per cent of its KPIs [excluding satisfaction indicators] in 2003/04, which is an improved direction of travel compared with the 30 per cent improved in the year before CPA.

The Council continues to perform well on the percentage of citizens satisfied with overall services, retaining its top quartile position, although local satisfaction has declined in the last three years in line with national trends.

The Audit Commission is currently consulting district councils on proposals for future corporate assessments under the new CPA from 2005 onwards, which relate to your current CPA status as a 'good' council.

In the terms of our assessment of your financial standing, the Council's overall financial position is good but it needs to improve its performance in delivering the capital programme.

Action needed by the Council

- Monitor closely the capital programme and seek to reduce slippage in completion of schemes.

Council performance

CPA and improvement planning

The Council has recently refined and restated its service priorities, which are:

- Improve community safety.
- Develop facilities, activities and a safe environment for children and young people.
- Enhance the physical environment of the borough.

Focusing also on corporate arrangements to support service improvement, the Council is also committed to improving:

- its corporate capacity;
- the links between the Council vision, priorities and medium-term financial planning; and
- levels of Member training and support.

We note early progress against four main service and corporate areas in 2004 as follows.

Planning service improvement

2003/04 KPIs show a mixed performance on speed of planning decision-making indicators. There has been significant improvement from bottom quartile to second quartile on major applications, but performance on minor and other [householder] applications deteriorated, to continue in the bottom quartile. This year, additional staff have been appointed, and some progress in improving performance is being achieved so far during 2004/05. Improvements in other planning areas were achieved in 2003/04, including above average performance on speed of searches and developments on brown-field land, and top quartile performance in decisions delegated, and user satisfaction, although the latter has deteriorated compared with 2000/01.

Vision, prioritisation and medium-term financial strategy

A summary of the Strategic Corporate Plan has been circulated to Council staff and community stakeholders, which translates the Council's agreed vision and priorities into practical actions. Budget and service planning to match priorities is being informed by new systems.

Internal corporate leadership and communication

Progress on internal communication has been endorsed by the IIP assessment completed in September 2004. An improved performance management system which integrates budget and service performance is in place. Past and future assessment of this key corporate capacity is detailed below.

As part of our performance audit work we have continued to monitor your progress in accordance with our duty to assess your performance management arrangements. For 2003/04 our work concentrated on a desk-top review of your new corporate strategic plan, corporate improvement plan and budget monitoring and performance digest reports.

Consistent with the CPA report we found that you have good arrangements in place to monitor performance across the whole authority. These include:

- using key performance indicators;
- regular reports to senior officers and Members; and
- explanations for poor performance and details of remedial action.

We shall continue to assess progress through our performance audit work in 2004/05 leading to a fuller evaluation of the effectiveness of your arrangements through the future CPA progress assessment.

Effective Member training and support

A Member training plan is being delivered and evaluated.

Performance information

We completed our audit of the Council's BVPP and issued an unqualified opinion in November 2004. The number of BVPIs on which we expressed a reservation continues to fall; last year it was three and this year it was only one.

Audit Commission inspections

Apart from the CPA inspection itself no further Audit Commission inspections took place in 2003/04. The next planned inspection, due to start in early 2005, is of planning-related services and, as such, is designed to assist your improvement plan priority 'to strengthen the development control service.'

Accounts and governance

Audit of 2003/04 accounts

We gave an unqualified opinion on the Council's accounts on 18 November 2004.

You again produced a well-prepared draft statement of accounts. You continue to be well placed to meet the government's earlier close-down timetable over the next few years.

Report to those with responsibility for governance in the Council

We are required by professional standards to report to those charged with governance certain matters before we give an opinion on the financial statements.

This year we have not had to issue any such report.

Financial standing

The Council's financial position is good but it needs to improve its performance in delivering the capital programme.

General fund spending and balances

The outturn expenditure for 2003/04 was below budget, and this reduced the contribution from balances to about £182,000 compared with around £457,000 in the budget. Most of the reduction of £275,000 was carried forward into 2004/05 for approved items, in accordance with your new policy on carry forwards introduced last year.

Your general fund balance was £1.47 million. Over the medium-term you are aiming for a balance of £1 million which you judge to be prudent in your circumstances.

Your second quarter budget monitoring report for the current year - issued in November - showed that you are likely to spend at budget for 2004/05.

Housing Revenue Account

The actual net surplus for the Housing Revenue Account (HRA) in 2003/04 was £542,000 against a budgeted surplus of £438,500.

Your £540,000 HRA balance, whilst not particularly high by district council standards, is now above the £400,000 included in your HRA business plan. Arrears are not out of line with other similar sized housing authorities.

The November budget monitoring report suggests that you will be comfortably within budget for 2004/05. Your forecast balance for 31 March 2005 is £422,000.

Capital programme

Slippage in the capital programme was again significant (see Exhibit 1).

EXHIBIT 1: SLIPPAGE IN THE CAPITAL PROGRAMME

Slippage has reduced compared with last year but is still significant

Year	Budget £m	Actual £m	Slippage %
2002/03	7.4	4.6	38
2003/04	7.4	5.5	26

Source: GBC out-turn reports

As with last year, most of the underspend of around £1.9 million was approved for carry forward into 2004/05.

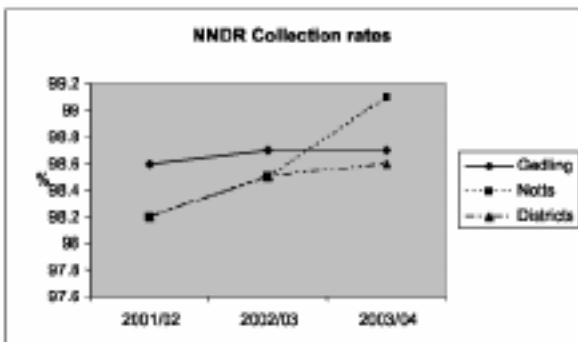
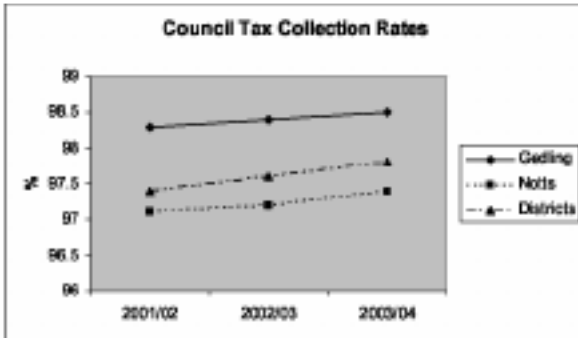
Whilst such underspendings are not unusual in local authorities it does not represent good practice and delays delivery of improved services to people in the borough.

Income collection and arrears

On council tax a small improvement - from 98.4 per cent to 98.5 per cent - has maintained the Council's good position. The same small improvement in its NNDR collection rate from 98.7 per cent to 98.8 per cent has seen the relative position of the Council worsen because, on average, other districts have improved more (see Exhibit 2).

EXHIBIT 2: COUNCIL TAX AND NNDR COLLECTION RATES

Council tax collection continues to be strong but NNDR collection is beginning to drop relative to other districts



Source: ODFM.

Systems of internal financial control

We have not identified significant weaknesses in the overall control framework.

We found arrangements satisfactory, for example Internal Audit, or in need of relatively small improvements and in these cases officers responded well with agreed actions.

Security of the Council’s offices

Members know that in the past year the Council’s offices have suffered several break-ins and thefts. Despite taking what seem to be proper measures the break-ins continue.

On one occasion, an officer’s PC was stolen. This had on it key information relating to the housing benefit grants claim. Officers had back-ups of the base data but as it related to a point in time they have had to spend a lot of time re-creating the information needed for the benefits claim. The delay has put in jeopardy our ability to meet the government’s 31 December 2004 deadline for auditing the claim. In turn, this put the Council at risk of financial penalties. Despite our delayed start on the claim we are hopeful that we will still meet the government deadline.

In response to the thefts, the Council has taken action.

- You have had two security surveys, one by the police and one by your insurance company.
- You have begun implementing the recommendations, for example:
 - improved security of the room containing your computer servers; and
 - better locks.
- You have started a programme of further work, including reflective film on downstairs windows.

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

We have not identified any significant weaknesses in your arrangements to prevent and detect fraud and corruption.

Your arrangements were broadly satisfactory. We endorsed an Internal Audit recommendation for improved fraud awareness and suggested improvements to your ‘whistle-blowing’ arrangements.

Legality of transactions

We found no significant weaknesses in the Council’s arrangements for ensuring the legality of transactions and made no recommendations.

Other work

Grant claims

Over recent years the number of claims requiring audit certification has grown and audit fees have risen in line with this growth. In accordance with Strategic Regulation, the Audit Commission has adopted a more risk-based approach to the certification of grant claims. With effect from 2003/04 the smaller claims have not been subject to audit or have received a lighter touch. The approach to larger claims has been determined by risk and the adequacy of the Council's control environment.

The Council's arrangements for managing and quality assuring grant claims submitted for audit are good and we tend not to have significant problems. The difficulties caused by the stolen PC are an exception.

National Fraud Initiative

The Council took part in the Audit Commission's National Fraud Initiative (NFI) 2002/03. The NFI, which is undertaken every two years, brings together data from local authorities, NHS bodies, government departments and other agencies, to detect a wide range of frauds against the public sector. Total savings from the 2002/03 exercise exceeded £83 million. At Gedling, officers investigated 17 cases, of which 10 showed results. The exercise identified around £21,000 in overpayments which the Council is recovering. In two cases the Council also imposed a 30 per cent administration penalty.

The Commission are repeating the exercise this year and will again collect payroll, pensions, housing benefits, student loan and housing rents data from authorities. Alongside the core exercise a number of pilot initiatives are being undertaken at selected sites. These are focused on risk areas that were highlighted by authorities and include payments made to privately run care homes, abuse of blue badge parking permits, serial insurance claimants and duplicate payments to suppliers. These pilot areas, if they prove effective, will be incorporated into future NFI exercises.

Looking forwards

Future audit and inspection work

We have an agreed plan for 2004/05 and will report on the outcomes, including those on our audit of the 2004/05 accounts, in next year's Annual Letter.

We will seek to ensure, wherever possible, that our work relates to the improvement priorities of the Council when planning our programme of work for 2005/06. We will seek to reconsider, with you, your improvement priorities in the light of the CPA assessment and your own analysis, and develop an agreed programme by 31 March 2005.

Revision to the Code of Audit Practice

The Audit Commission has consulted on a revised Code of Audit Practice for application to the audit of the 2005/06 accounts. The new Code, which will be laid before Parliament in January 2005, is designed to secure:

- a more streamlined audit, which is proportionate to risk and targeted on areas where auditors have most to contribute to improvement;
- a stronger emphasis on value for money, focussing on corporate performance and financial management arrangements (rather than individual services and functions); and
- better and clearer reporting of the results of audits.

Further details will be provided in the Audit and Inspection Plan 2005/06.

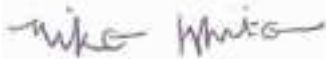
Closing remarks

We have discussed and agreed this Letter with the Chief Executive and his Deputy. We will present a copy of the Letter at the Cabinet on 13 January 2005.

The Council has taken a positive and constructive approach to our audit and inspection we would like to take this opportunity to express our appreciation for the Council's assistance and co-operation.

Availability of this Letter

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



Mike White
Relationship Manager



Andrew Blackburn
District Auditor

December 2004

Status of our reports to the Council

Our Annual Audit and Inspection Letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Annual Audit and Inspection Letters are prepared by relationship managers and appointed auditors and addressed to Members and officers. They are prepared for the sole use of the audited and inspected body, and no responsibility is taken by the Audit Commission or its appointed auditors to any Member or officer in their individual capacity, or to any third party.

Scope of audit and inspection

Audit

Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.

Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Exhibit 3.

EXHIBIT 3: THE THREE MAIN ELEMENTS OF OUR AUDIT OBJECTIVES



Accounts

- Opinion.

Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct and the prevention and detection of fraud and corruption.
- Legality of transactions.

Performance management

- Use of resources.
- Performance information.
- Best Value Performance Plan.

Inspection

Inspection work is based around section 10 of the Local Government Act 1999, which requires us to carry out inspections and deliver reports that will:

- enable the Council and the public to judge whether best value is being delivered;
- enable the Council to assess how well it is doing;
- enable the Government to assess how well its policies are being implemented; and
- identify failing services where remedial action may be necessary.

The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.

Audit and inspection fees

Audit fee update

Audit area	Plan 2003/04	Actual 2003/04
Accounts	£ 18,400	£ 18,400
Financial aspects of corporate governance	£21,300	£21,300
Performance	£32,850	£32,850
TOTAL CODE OF AUDIT PRACTICE FEE	£72,550	£72,550
Grant claim certification	Not specified.	£26,143
Additional voluntary work (under section 35)	0	0

Inspection fee update

The full year inspection fee is £15,800. The work reported in this Audit and Inspection Letter has been funded by an element of the fee covering 2003/04 and by an element of the fee covering 2004/05. In both years the actual fee will be in line with that planned.