

Annual Audit and Inspection Letter

March 2006



# **Annual Audit and Inspection Letter**

**Hastings Borough Council**

**Audit 2004-2005**

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Audit in the public sector is underpinned by three fundamental principles.

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- Auditors may report aspects of their work widely to the public and other key stakeholders.

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## Key messages

### Council performance

- 1 Hastings Borough Council was rated as a 'good' authority in the 2003 CPA assessment. The Council was quick to embrace the improvement agenda, and identified three high level priorities which were largely focussed on improving internal arrangements such as developing staff's ability and capacity to continue to deliver quality services. Some front line service improvement was identified such as homelessness, housing benefits and waste management.
- 2 The Council has made progress in many of its priority areas and improved performance. In particular, its work in partnership with others, is contributing to the physical and social regeneration of the area, and helping to ensure that the area is clean, green and healthy. Plans are in place to sustain this progress over the medium term despite increasing financial pressures. Work to improve its management capacity has started. Implementing its management development programme, tackling staff morale and relatively high sickness absences remain future challenges.
- 3 The Council delivers good value for money. It is a relatively high spending authority per head of population by comparison with other nearest neighbours, but it can demonstrate that this is due to the high levels of deprivation and the challenge of reducing this. Overall the balance between costs and performance is positive. The headline measure of deprivation shows an improvement over the last four years. Between 2002/03 and 2004/05, 50 per cent of its key performance indicators improved. Its absolute level of performance is also better than average compared with others - 67 per cent of indicators are above average. There are however, some areas where value for money can not yet be demonstrated. Recycling performance is low, its performance on housing benefits is comparatively weak and its costs on homelessness are high. Action is in hand to tackle all three areas.
- 4 A recent inspection of the Council's cultural services judged it as 'fair' with 'promising prospects for improvement'. Its cultural services are increasing opportunities for participation and undertaking positive work with young people.
- 5 Overall, we judge the Council to be 'performing well' in its Use of Resources, scoring 3 out of 4.

### Accounts and governance issues

- 6 We gave an unqualified opinion on the Council's accounts on 31 October 2005. We concluded that the Council's overall corporate governance arrangements are satisfactory.

- 7 We have not identified any significant weaknesses in the overall control framework, however ongoing difficulties with the new Agresso financial system give cause for concern.

## Financial position

- 8 The Council's arrangements to ensure its financial standing are sound. The collection rate for council tax remains in the bottom quartile.

## Action for the Council

- 9 Key actions for the Council are:
  - implement the recommendations of the cultural services inspection;
  - continue to address areas of weaker performance such as recycling and housing benefits to improve value for money;
  - seek an independent assessment of the effectiveness of the management development programme; and
  - implement the recommendations from the recent BFI report and the use of resources findings.

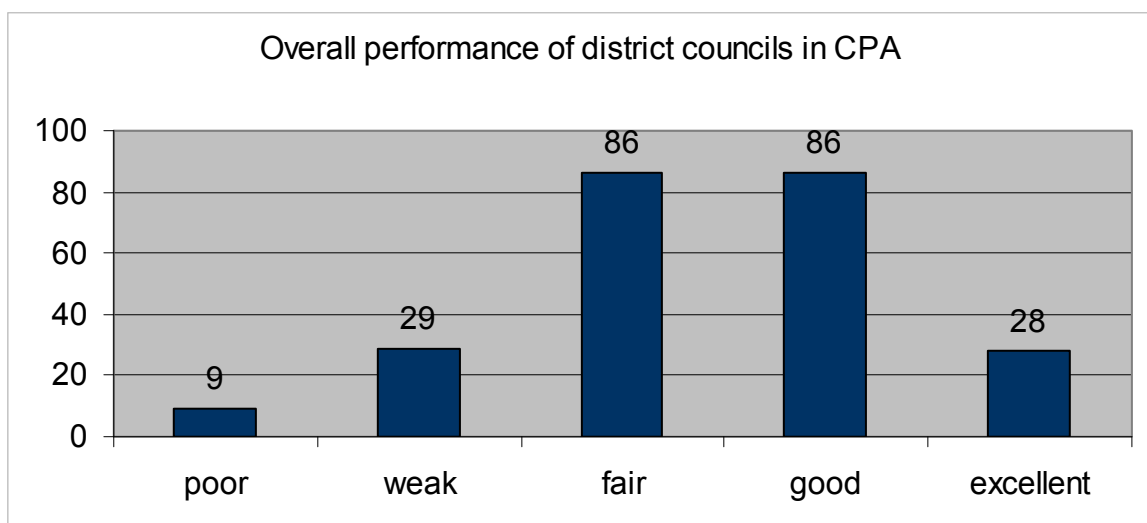
## Council performance

### Direction of travel report

- 10 Hastings Borough Council was assessed as good in the comprehensive performance assessment (CPA) carried out in 2003. These assessments have now been completed in all district councils with the following results.

#### Figure 1 Overall performance of district councils in CPA

Three times as many district councils are rated Good or Excellent than Poor or Weak



Source: Audit Commission

- 11 Following the CPA, the Council identified three high level priorities which were largely focussed on improving internal arrangements such as developing staff's ability and capacity to continue to deliver quality services. Some front line service improvement was identified such as homelessness, housing benefits and waste management. Its three high level improvement priorities link to its outward looking corporate priorities. Progress since the CPA is commented on under its corporate priorities.

## **Lead the social, physical and economic regeneration of the town**

- 12 The Council, working with its partners, is leading the social and physical regeneration of the borough. Hastings was, in 2000, the 27th most deprived council area of 354 in England. It experiences multiple deprivation with low educational attainment, low employment opportunity, child poverty, poor housing and poor health. Five of the town's sixteen wards are among the 10 per cent most deprived wards in the country. This has been recognised by central Government and the area has received over £100 million in public funding to aid regeneration. Clear strategies and plans exist for the physical regeneration of the area and tangible outcomes are being delivered. For example, the Creative Media Centre and the Broadband Centre have opened, both offering support to local businesses and work is under way on the Marina Pavilion.
- 13 The Council also contributes to the social regeneration of the area. It actively supports the community promoting events throughout the borough. For example, there is a wide range of sporting events that take place through its Sports4U programme, which involved 750 young people in 2005. Many of these events are held in the deprived areas of the borough, such as the Girls Getting Active scheme at Hollington Youth centre. Eight hundred young people also attended free swim sessions held at the Summerfield Leisure Centre. Physical access to some Council facilities is below average and many are not compliant to Disability Discrimination Act standards. As at 31 March 2005, 60 per cent of its facilities were accessible to the disabled. A proportion of the community are currently unable to easily make use of all of the Council's facilities.
- 14 Overall, the work of the Council and its partners is improving the lives of residents. In 2004, the area was assessed as moving from the 27th most deprived district to the 39th, four out of five wards are no longer in the worst 10 per cent deprived areas and unemployment has reduced from 3.8 per cent to 3.3 per cent.

## **Develop strong, stable communities - with a decent home for everyone**

- 15 Progress is being made. Its work with private owners has increased the number of private dwellings made fit for living and 14 affordable homes were provided in 2004/05. This is less than planned due to a delay in its biggest housing scheme - Millennium Community Project - Ore Valley. Its Housing Strategy was assessed as 'fit for purpose' by the Office of Deputy Prime Minister. This provides the blueprint for the future development of housing in the area. A ten-year strategy for investment in Central St Leonards as a Housing Renewal Area was agreed and the investment of £1 million per annum started. Work has also continued in its five neighbourhood renewal areas.

- 16 Its approach to housing those presenting as homeless has improved. In 2004/05, the Council reduced the average number of weeks homeless households spent in temporary accommodation. The Council has a comparatively high number of households per 1,000 that are accepted as homeless and relatively high costs compared with other councils with similar number of homeless households. It has sought advice from the ODPM to improve its ability to manage those presenting as homeless and is establishing a private sector leasing scheme to try and reduce costs. It is too soon to judge if this is having the desired effect.

### **Make our town cleaner, greener and healthier, and manage traffic, transport and parking for the benefit of everyone**

- 17 Many of the borough's parks and open spaces appear attractive and well-maintained. The Council has completed a £3 million refurbishment of its large 'flagship' park Alexandra Park and achieved the Green Flag award. This is a popular park, and the recent investment has included a new café, as well as redesigned play and recreation areas and an increase in the number of park rangers. A wide range of community events take place in the park, for example its 'play in the park' events, to which 10,000 people attended last year and the 'Fishing4u' project results in around 35 young attendees a week. Overall, the Council can show outcomes for various sections of the community through its parks and open spaces.
- 18 Strong partnership working with the local Primary Care Trust (PCT) enables the Council to encourage the community to lead healthier lives. For example, the Council and the PCT support a LEAP (Local Exercise Action Pilot) programme to encourage young people in activities. A major new 'Active Hastings' project (includes £250,000 of funding from partners) has also begun and has included hosted guided walks in Alexandra Park each week. The Council and the PCT have measured the outputs of its Sport4U project, which has shown that 272 young people on average participate in these hosted sporting events each week. Fifteen per cent of the attendees came from Hollington ward, which is a prioritised deprived area.
- 19 The Council is part of a Quality Bus Partnership to improve the use of public transport. It provides direct funding for community transport and an evening bus service and its joint work has increased bus usage. It also promotes alternatives to car travel such as school 'walking buses' - three schools in the area, participate and is in the process of agreeing a staff travel plan. Despite these activities, transport is still of major concern to the community.
- 20 Little progress has been made to increase the recycling of waste material. For the last few years the proportion of waste material recycled has been 11 per cent and remains unchanged as at 31 March 2005. Its statutory target is to achieve recycling rates of 18 per cent by 31 March 2006. The Council has increased the availability of kerbside collection of recyclables to its residents from 62 per cent to 99 per cent and anticipates that this, coupled with a new waste collection contract with higher specifications, will help it meet its future higher statutory targets. It currently reports a recycling rate of 18 per cent.

### **Work in partnership to reduce crime and the fear of crime, and make our streets safer**

- 21 The Safer Hastings Partnership, in which the Council is one of six principal partners, is having an effect through its work on reducing crime and the fear of crime. The percentage of residents feeling safe in the town centre and Central St Leonard's in the day time is above 90 per cent and Hastings and St Leonard's has moved from the 40th Highest Crime area to the 78th (out of 376). In 2004, Hastings' warden service, an aspect of its initiative to reduce crime and the fear of, was presented with the Quality Standard Award by the ODPM (given to only 5 out of 500 warden services).

### **Increase opportunities for participation in culture, arts, sports, play, heritage and the natural environment and Increase opportunities for young people**

- 22 A recent inspection of the Council's cultural services judged it as 'fair' with 'promising prospects for improvement'. Its cultural services are increasing opportunities for participation and undertaking positive work with young people. The Council supports many events throughout the borough, particularly in deprived areas. Sporting activities achieve good attendance and positive feedback. Initiatives to promote sport to a wide range of groups such as women excluded from school are held. It also provides many innovative arts development activities. User satisfaction rates are above average and visitor numbers are increasing for some key facilities such as the White Rock Theatre.
- 23 The Council is proactive in responding to the needs of young people. A youth strategy and a detailed action plan have been produced which includes actions such as the community football project and Girls Getting Active (in conjunction with the PCT). New playgrounds and equipment and a skateboard park have been installed as a result of consultation with local community groups and children. However, the Council is not clear where there are gaps in provision of cultural facilities and services. Although a needs analysis has been done, this has not yet been converted into a definition of what is needed where.

### **Involve local communities and businesses in the planning and delivery of accessible, cost effective, quality services**

- 24 The Council is demonstrating its commitment to involving the community in decisions for their local areas. There are consultation exercises undertaken for individual schemes such as that for Alexandra Park. On an ongoing basis, neighbourhood action forums have been established to promote improvements to their areas. A criticism from those consulted is that, while the willingness to consult is welcomed, the Council is poor at providing feedback on how it is responding to that consultation. This is an area to address.

- 25 The Council delivers good value for money. It is a relatively high spending authority per head of population by comparison with other nearest neighbours, but it can demonstrate that this is due to the high levels of deprivation and the challenge of reducing this. The Council has two systems in place to review VFM of individual services: priority income and expenditure reviews (PIER) and Best Value Reviews. Both identify the achievement of cost savings and improvements in service delivery. Performance Information is regularly challenged, and there is evidence of improved outcomes as a result of this process. Targets are applied in order to further achieve VFM, and efficiency savings can be demonstrated.
- 26 Overall the balance between costs and performance is positive. The headline measure of deprivation shows an improvement over the last four years. Between 2002/03 and 2004/05, 50 per cent of its key performance indicators improved. Its absolute level of performance is also better than average compared with others - 67 per cent of indicators are above average. There are, however, some areas where VFM can not yet be demonstrated. Recycling performance is low, its performance on housing benefits is comparatively weak and its costs on homelessness are high. Action is in hand to tackle all three areas.

### **Continue to improve as a forward thinking Council with a skilled, knowledgeable and motivated workforce**

- 27 Some progress has been made on this priority. It has reviewed its personnel policies, particularly to consider women friendly policies, approved flexible working arrangements and a recruitment and retention policy and completed an equal pay audit. A staff training plan was produced and used to inform training and development needs and the proportion of staff receiving appraisals was increased to 77 per cent in 2004/05. These are all important building blocks to help increase its ability to attract, retain and develop skilled staff. It has also recently achieved Investor in people status.
- 28 Work has begun to address the issue of 'inconsistent quality of management' identified in the CPA assessment. The Council has put in place a detailed improvement plan, including a management development programme, and allocated £150,000 to facilitate this. However, due to the need to rethink elements of the programme after managers reported that the first modules did not meet their needs, there have been delays in fully rolling out the programme. Some managers indicated a lack of awareness that modules they had attended formed part of a specific programme. This has now been addressed by a programme prospectus issued to all staff. Overall, it is unclear at the moment what benefits or outcomes the programme is bringing. The issue of management quality remains to be addressed fully.
- 29 A staff survey showed that morale has improved from 9 to 20 per cent of those who responded, saying that they felt that morale is good. Although improving, this low level is of concern. Days lost due to sickness absence have increased from a credible seven days per employee in 2003/04 to 11 days in 2004/05, amongst the highest in the country for councils. These are important challenges which the Council recognises and is addressing.

## Other performance work

- 30 We have completed our review of performance information for 2004/05 and the Council's Best Value Performance Plan for 2005/06. We found that:
- the system for publishing performance indicators was generally sound; and
  - the Best Value Performance Plan for 2005/06 complies with statutory guidance.
- 31 Our work did not result in any reservations or qualifications in respect of individual performance indicators, and we were able to issue an unqualified report on the Best Value Performance Plan in line with statutory requirements.

## Accounts and governance

We gave an unqualified opinion on the Council's accounts on 31 October 2005. We concluded that the Council's overall corporate governance arrangements are satisfactory. We found the Council's arrangements to secure its financial standing to be appropriate and satisfactory. The Council's financial position for the year ended 31 March 2005 is healthy. The collection rate for council tax remains in the bottom quartile.

### Matters arising from the final accounts audit

- 32 The Council prepares and publishes its accounts efficiently and in accordance with the statutory deadlines. The accounts provided to us were of a generally good standard with only minor amendments required and no material errors or mis-statements. Members approved the Council's annual accounts in June 2005. The process of Member scrutiny of the Statement of Accounts is robust and is supported by a clear explanatory report. The Council is well placed to cope with future earlier deadlines for the production and audit of its financial statements.
- 33 We are required by professional standards to report to those charged with governance (in this case to the Audit Committee) certain matters before we give an opinion on the financial statements. Our report identified three reporting issues.
  - The interest rate used by the actuary in calculating the actuarial gains/losses of the pension fund - this issue was satisfactorily resolved following discussions with the pension fund's actuary.
  - The need to undertake a reconciliation of the difference between the old legislative based concept of the credit ceiling and the new accounting based concept of the capital financing requirement.
  - Two items for which officers had decided not to adjust the accounts: a property valued at £120,000 which had not been included in the asset register at the year end, and an understatement of housing benefit creditors by £166,000.
- 34 Following discussions with officers and members we were satisfied with the action being taken to resolve these issues. We gave an unqualified opinion on the Council's accounts on 31 October 2005.
- 35 An area for improving against best practice and to achieve a higher rating under the use of resources judgement is consulting with stakeholders to determine their requirements for summarised financial reporting.

## Financial standing

- 36 In considering the Council's arrangements to ensure its financial standing we consider its financial performance in the year of audit, 2004/05, its performance in 2005/06 and its arrangements for the medium term.
- 37 The Council has a medium term financial plan which links with the Council's key strategic objectives and outlines the impact of capital expenditure and receipts on the Council's reserves. A balanced Capital and Revenue budget is agreed with budget holders and scrutinised by Members, and the capital programme reflects the Council's key priorities. The budget is input into the main accounting system in a timely manner, monitored quarterly and reviewed by senior officers. However, implementation of the new financial system has caused some budget monitoring difficulties.

### General fund spending and balances

- 38 The net revenue spend in 2004/05 after appropriations was £13.57 million, giving a small general fund deficit of £6,000. Total revenue balances increased slightly from £0.8 million to just under £1.0 million.
- 39 For 2005/06, net revenue spend was budgeted as £14.5 million, of which £0.4 million was to be funded by use of reserves. The latest budget monitoring reports indicate that the revised outturn expenditure is £14.9 million, with the variance being funded by a combination of reserves (£0.4 million) and general balances (£0.1 million). This will reduce balances nearer to the minimum level set by the Council of £0.5 million. The main contributory factors are a reduction in land charges income (£0.14 million) and an unbudgeted increase in waste recycling costs (£0.37 million).
- 40 The proposed net expenditure total for 2006/07 is £15.7 million, which includes a transfer from reserves of £0.3 million. Main budgetary pressures have been identified as: concessionary fares, the new licensing regime, pay and pensions increases and the increased costs of the new waste contract.

### Capital programme

- 41 Capital expenditure in 2004/05 totalled £6.8 million, which was broadly in line with the capital programme. The latest projections for 2005/06 indicate that actual expenditure will be £8.0 million, which represents slippage of £4.0 million against the initial capital programme. The main element of this relates to delayed starts on a number of major schemes (eg Office accommodation projects - £1.3 million, museum extension £0.6 million). Capital investment of £11.1 million has been planned for 2006/07.

### Income collection and arrears

- 42 The collection rate for council tax (95.5 per cent) in 2004/05 improved slightly over the previous year (95.3 per cent), but is still in the lowest quartile nationally. The NNDR collection rate (98.6 per cent) improved significantly, and now equals the national average.

43 The level of total debtors reduced from £12.4 million to £11.9 million, although this includes a significant reduction in amounts due from government bodies (-£0.7 million). The total arrears from local taxpayers increased from £4.0 million to £5.1 million.

44 We are satisfied that the level of bad debt provision is adequate.

### **Pensions fund deficit**

45 The Council's accounts incorporate the necessary accounting entries in relation to Financial Reporting Standard 17. This requires that full costs, accrued by members of the pension fund are accounted for in the year they are earned. The accounts incorporate the Council's share of the net pension fund liability of the East Sussex County Council pension scheme. At 31 March 2005, Hastings's net share of the liability stood at £23.2 million. The level of contributions paid into the fund is determined by the scheme's actuary and is expected to increase over time in line with changes in the actuary's assumptions. The Council's future budget incorporates the expected increase.

46 Areas to strengthen its financial management and financial standing arrangements under use of resources judgement, compared with best practice include:

- evidencing the opportunity costs of maintaining the present level of reserves and balances; and
- ensuring the controls to maintain an accurate asset register are operated as planned.

## Systems of internal financial control

We have not identified any significant weaknesses in the overall control framework, however, ongoing difficulties with the new Agresso financial system give cause for concern.

### Internal Audit

- 47 We have completed a review to assess Internal Audit against standards set out in the CIPFA Code of Practice for Internal Audit in Local Government. This review assesses whether Internal Audit provides an effective service as required by the Accounts and Audit regulations. We concluded that the Internal Audit service complies with the CIPFA Code of Practice, and thereby provided an effective service to the Council.

### Agresso implementation

- 48 We have been reviewing the Council's implementation of the Agresso financial system, which is a joint project with Lewes DC and Rother DC. Overall, the implementation provides a sound basis for contributing to e-government targets and the joint procurement approach is in line with current good practice.
- 49 Whilst the joint procurement resulted in savings over individual purchase, the implementation has not been without some difficulty. In particular the capacity of all three organisations to resource the project has been a major constraint on the implementation.
- 50 Since going live the Council has experienced a number of difficulties in producing reliable financial information for budgetary control and monitoring purposes. Internal Audit have undertaken a preliminary review of the system. Their initial work has identified serious concerns about the implementation of Agresso. Officers are working to resolve the implementation problems that have been identified.

### Other internal control issues

- 51 The Council has made significant progress towards implementing sound risk management arrangements. It has a risk management policy which is reviewed annually. A central risk register is maintained and updated periodically in accordance with Internal Audit's cyclical audit programme. However, the recommendations raised in the risk map in 2003 have not been implemented. The risk register should be 'owned' and kept up to date by service managers.
- 52 All systems defined by the Council as being business critical are not currently supported by detailed procedure notes.

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

- 53 We have not identified any significant weaknesses in your arrangements to prevent and detect fraud and corruption. A code of conduct is incorporated into the Constitution and an effective Standards Committee operates in accordance with the requirements of the Local Government Act 2000. Adequate arrangements are in place to investigate fraud and corruption, including a well advertised whistleblowing policy. Areas to improve to achieve best practice include:
- proactively measuring compliance of codes of conduct.

## Benefits Fraud Inspectorate

- 54 In November 2005 the Benefits Fraud Inspectorate (BFI) undertook an inspection of the Council's housing benefit counter fraud activities. The Council was chosen for inspection on the basis of bottom quartile performance in 2004/05 for the number of sanction and prosecutions for housing benefit fraud.
- 55 The BFI published their report in February 2006. The main conclusions were that the Investigation team had a lack of strategic direction, and that there had been very little progress in implementing BFI counter-fraud recommendations made after their previous inspection in 2001.
- 56 The Council has acted promptly to accept the BFI action plan, and is progressing implementation in consultation with the DWP Performance Development Team.

## Legality of transactions

- 57 We have not identified any significant weaknesses in the framework established by the council for ensuring the legality of its significant financial transactions. Local residents raised concerns about the Council's actions in respect of the Foreshore development and the regeneration of West Marina. In both instances, we were satisfied that the Council had acted legally and reasonably.

## Use of resources judgements

- 58 The use of resources assessment is a new assessment which focuses on financial management but links to the strategic management of the Authority. It looks at how the financial management is integrated with strategy and corporate management, supports council priorities and delivers value for money. It will be carried out annually, as part of each council's external audit. We anticipate in future the Use of Resources judgements will form part of the CPA framework.

- 59 We have assessed the council's arrangements in five areas (Table 1).

**Table 1 Council's arrangements**

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

*Scoring is in accordance with the following scale:*

<b>1</b>	<b>Below minimum requirements – inadequate performance</b>
2	At minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

- 60 The key findings and conclusions for each of the five themes are summarised below. Our detailed report was agreed with officers and presented to the Audit Committee on 21 March 2006. Our findings have been summarised in the preceding paragraphs of this Letter.

## Other work

### Grant claims

- 61 The Audit Commission has continued to develop a more risk-based approach to the certification of grant claims. We have reduced our audit input where possible, and are continuing to work with internal audit to increase the reliance that we can place on their work and reduce the extent of our testing in this area.
- 62 The Council's arrangements for managing and quality assuring the complex housing benefit grant claim were reviewed this year to identify any areas where there was scope for improvement. Compiling the housing benefit grant claim represents a significant workload for the authority.
- 63 We found that procedures were generally sound. They could be further enhanced by having one officer as the sole point of contact with responsibility for processing all amendments to the claim.

### National Fraud Initiative

- 64 In 2004/05, the local authority took part in the Audit Commission's National Fraud Initiative. The NFI, which is undertaken every two years, aims to help identify and reduce fraud by bringing together data from NHS bodies, local authorities and government departments and other agencies, to detect a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud, tenancy fraud and payroll fraud as well as, new for 2004/05, right to buy scheme fraud and providing new contact details for former tenants with arrears in excess of £1,000.
- 65 We examined the Council's approach to reviewing the data and concluded that had put in place the necessary arrangements and allocated sufficient resources. To date savings of £21,470 have been identified as a direct result of the 2004/05 exercise. In line with the ethos of strategic regulation it was decided that a detailed review of the NFI arrangements at the Council was not required.

## Looking forwards

### Future audit and inspection work

- 66 We have an agreed plan for 2005/06 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2005/06 accounts, will be reported in next year's Annual Letter.
- 67 We will continue to ensure, wherever possible, that our work relates to the improvement priorities of the Council.

### Revision to the Code of Audit Practice

- 68 The statutory requirements governing our audit work, are contained in:
- the Audit Commission Act 1998; and
  - the Code of Audit Practice (the Code).
- 69 The Code has been revised with effect from 1 April 2005. Further details are included in our Audit Plan which has been agreed with the Audit Committee in October 2005. The key changes include:
- the requirement to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources; and
  - a clearer focus on overall financial and performance management arrangements.

### A new CPA framework

- 70 The Audit Commission is currently considering the results of the consultation on the proposals for revising the CPA framework for District Councils. The revised framework will be published in 2006.

## Closing remarks

- 71 This letter has been discussed and agreed with the Chief Executive and Deputy Chief Executive. A copy of the letter will be presented at the Audit Committee meeting in June 2006.
- 72 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

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

Darren Wells  
District Auditor and Relationship Manager  
March 2006

## Appendix 1 – Background to this letter

### The purpose of this letter

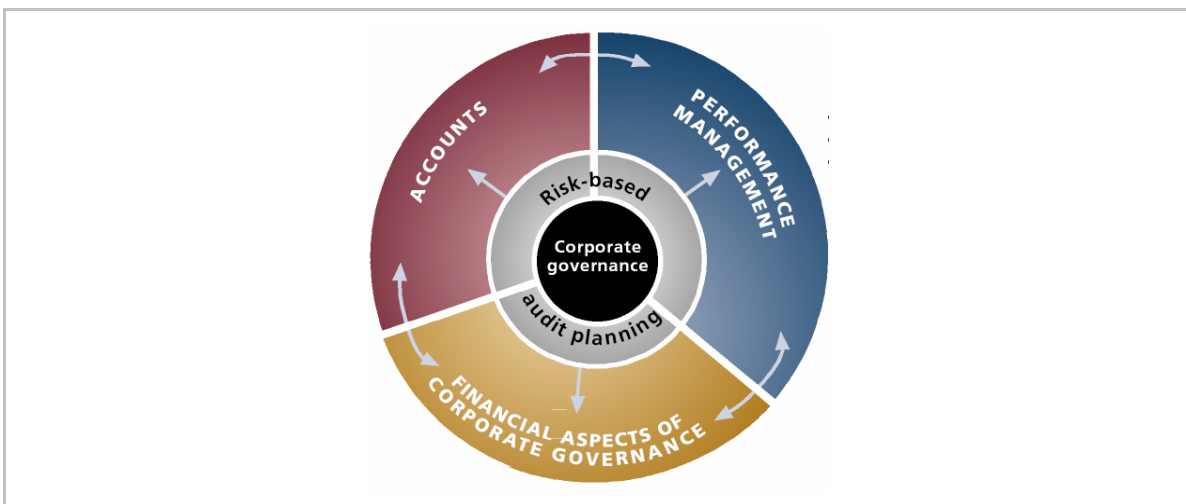
- 74 This is our audit and inspection 'Annual Letter' for members which incorporates the Annual Audit Letter for 2004/05, which is presented by the Council's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Council.
- 75 We have issued separate reports during the year setting out the findings and conclusions from the specific elements of our programme. These reports are listed at Appendix 2 for information.
- 76 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.
- 77 Appendix 3 provides information about the fee charged for our audit and inspections.

### Audit objectives

- 78 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.
- 79 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 Figure 1.

**Figure 2 Code of Audit Practice**

Code of practice responsibilities



## **Accounts**

- Opinion.

## **Financial aspects of corporate governance**

80 Reviewing how effectively the Council ensures:

- financial standing;
- systems of internal financial control;
- standards of financial conduct and the prevention and detection of fraud and corruption; and
- legality of transactions with significant financial consequences.

## **Performance management**

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

## **Inspection objectives**

81 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.

## Appendix 2 – Audit and inspection reports issued

**Table 2**

<b>Report title</b>	<b>Date issued</b>
Audit Plan	March 2005
The joint procurement of the Agresso financial system (joint report)	June 2005
Opinion on statement of accounts	October 2005
Report on the 2004/05 financial statements to those charged with governance (SAS 610)	October 2005
Cultural Services Inspection report	November 2005
Final accounts report	December 2005
Report and opinion on Best Value Performance Plan	December 2005
Use of Resources audit score feedback	March 2006
Audit & Inspection Annual Letter	March 2006

## Appendix 3 – Audit and inspection fee

**Table 3      Audit fee update**

<b>Audit area</b>	<b>Plan 2004/05</b>	<b>Actual 2004/05</b>
Accounts	20,020	20,020
Financial aspects of corporate governance	23,600	23,600
Performance	38,113	38,113
<b>Total Code of Audit Practice fee</b>	<b>81,733</b>	<b>81,733</b>
Additional voluntary work (under section 35)	0	0
<b>Total</b>	<b>81,733</b>	<b>81,733</b>

### Inspection fee update

The full year inspection fee is £8,380. The work reported in this audit and inspection letter has been funded by an element of the fee covering 2004/05 and by an element of the fee covering 2005/06. In both years the actual fee will be in line with that planned.