

Annual Audit and Inspection Letter

March 2008



Annual Audit and Inspection Letter

St Albans City and District Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

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

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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.

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Key messages

- 1 The main messages for the Council included in this report are as follows.
 - The Council continues to perform strongly across key services, although the overall improvement in selected performance indicators over the last year was below average. Council priorities are being achieved through strong service performance and investment. Performance indicators for 2006/07 demonstrated mixed improvement, although overall, few indicators show below average performance compared to other councils.
 - The Council has improved consultation with residents and identified additional support required for disadvantaged groups. The Council's wide range of partnership work is starting to have positive impact for residents, such as for youth activities.
 - The Council continues to provide good value for money.
 - A programme of restructuring has begun with the aim of improving efficiency, service effectiveness and capacity. Performance management and monitoring have been improved. Investment and strategies are being directed at agreed key priorities such as environmental sustainability and health inequalities. There have been some delays in implementing the planned changes; in particular the implementation of the Council's procurement strategy has been slow with some areas, such as electronic procurement, still to be developed.
 - Capacity is being enhanced through increased partnership. Local partners have agreed a sustainable development strategy which is closely aligned to the Council's corporate strategy. A lack of corporate structures for some partnership arrangements and performance management weaknesses has led to inconsistent outcomes.
 - The Council's arrangements for its use of resources have been maintained and met minimum requirements. Developments were noted in the latter part of 2006/07 that have strengthened arrangements and should lead to improvement being seen in future assessments, although there remain a number of key areas for improvement.
 - An unqualified opinion was issued on your accounts and we formally concluded that during 2006/07 the Council had, in all significant respects, made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
 - We assessed your arrangements for ensuring data quality as adequate.

Action needed by the Council

2 The Council needs to:

- ensure consistent level of performance and improvement in key services;
- complete the programme of restructuring and monitor the impact of this to ensure the planned improvements in efficiency, service effectiveness and capacity are delivered;
- complete the implementation of the procurement strategy;
- develop corporate structures and performance management arrangements for all partnership arrangements; and
- strengthen overall arrangements for the use of resources and ensure the areas for improvement identified in our use of resources work are addressed.

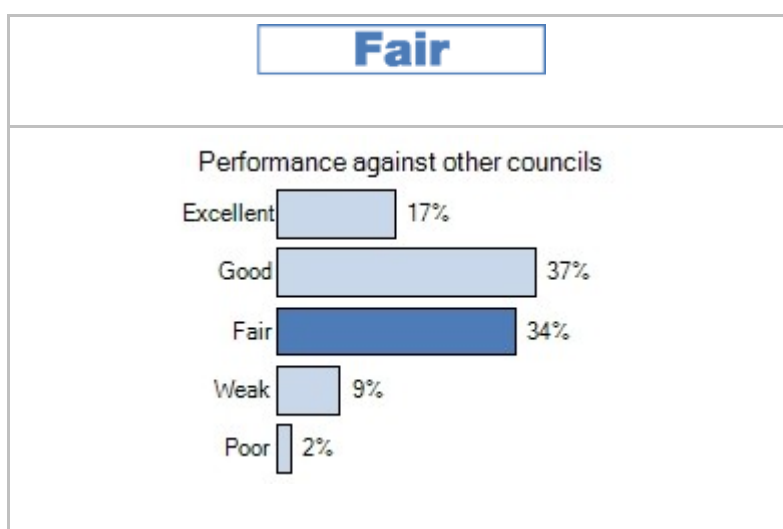
Purpose, responsibilities and scope

- 3 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 4 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 5 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition, the Council is planning to publish it on its website.
- 6 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 7 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 8 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is St Albans City and District Council performing?

- 9 St Albans City and District Council was assessed as 'Fair' in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. We have not yet undertaken such a reassessment for St Albans City and District Council although, at the Council's request, we are planning to undertake one during 2008. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

Summary

- 10 St Albans District Council continues to perform strongly across key services, although the overall improvement in selected performance indicators over the last year was below average. Council priorities are being achieved through strong service performance and investment. Performance indicators for 2006/07 demonstrate improved performance in environmental services, but no change in culture and deterioration in several housing services. Overall, few indicators show below average performance compared to other councils. The Council continues to develop its promotion and provision of arts and culture opportunities in the District. The Council has improved consultation with residents and identified additional support required for disadvantaged groups. The Council's wide range of partnership work is starting to have positive impact for residents, such as for youth activities. The Council provides good value for money.
- 11 A programme of restructuring the Council has begun with the aim of improving efficiency, service effectiveness and capacity. Performance management and monitoring have been improved. Investment and strategies are being directed at agreed key priorities such as environmental sustainability and health inequalities. Capacity is being enhanced through increased partnership. Local partners have agreed a sustainable development strategy which is reflected in the Council's corporate strategy.

What evidence is there of the Council improving outcomes

- 12 The Council continues to perform strongly across key services and its priority areas. For 2006/07, 44 per cent of key performance indicators were in the best 25 per cent of councils; this is above the district council average of 33 per cent. The overall improvement in performance indicators last year was however below average for district councils, with 50 per cent of indicators improved compared to the average of between 57 and 59 per cent for all districts. Performance has improved in the Council's priority area of environment. Culture performance indicators although unchanged continue to show strong performance. Residents continue to receive a generally high standard of service across all service areas.

- 13 Improvement in performance indicators is mixed across Council services. There have been improvements in most areas of environmental services, including recycling and composting rates, which are better than average. The amount of waste collected per household is also better than average but continues to rise. Planning service performance indicators have deteriorated during the year and some residents still receive a variable planning service. The planning service workload is high but the Council maintains better than average response times, except on major planning applications. The Council had to deal with a complex rail-freight application during 2006/07, which had a significant impact on planning resources. Housing services indicators show the widest variation and change, with a number below average. Best value performance indicators for 2006/07 for the time to undertake non urgent repairs, average re-let time for properties and tenant satisfaction are average or below. The Council has recognised the need for attention in these areas. There have been improvements in the length of stay in temporary accommodation, the average SAP rating of local authority dwellings and the number of private sector homes vacant for six months or more. Service quality is generally being maintained with few indicators being below average when compared to other councils.
- 14 The Council has invested further in arts and leisure provision. This improvement supports the stated priority to 'cherish and promote heritage, arts and culture'. Investment has been directed at key projects to support the arts and the District is promoted as a venue for visitors through Council organised events. These include an annual fringe music festival in collaboration with leisure service partners. A heritage parks development bid has been made by the Council to further develop the Verulamium Park as a key historic attraction. Culture performance indicators are unchanged, being in the best 25 per cent of councils. Opportunities for residents and visitors are improved through focussed action supporting the priority of promoting heritage, arts and culture.
- 15 The Council provides effective community leadership in strategic planning and implementing local initiatives. The local service partnership (LSP) Board structure has been revised and the programme of meetings agreed, including an annual conference. Investment has been made in improving LSP governance processes. Local business and voluntary groups are now formally included in the governance structure of the LSP. Local partners are working more effectively on agreed initiatives.

- 16 Service improvements have been made which deal with issues of deprivation and equal opportunities. Equity assessments are undertaken for all proposals and arrangements are now embedded. Improved targeting of services has been achieved through consultation and the use of information to identify disadvantaged wards or resident groupings. Early work includes a project to support elderly residents identified in specific wards. In February 2007, the Council produced a report on deprivation in the district which recommended specific actions such as establishing a 'lead officer for deprivation'. The Council is investing in a programme of affordable home provision and has already completed eight shared ownership and two rented units. Progress on the deprivation action plan is being monitored by the Overview and Scrutiny Committee. Residents who may be deprived or hard to reach are being supported by improved consultation and opportunities.
- 17 The Council continues to provide good value for money. Council tax has been maintained at an average level in comparison to similar councils. Performance has been maintained with costs being well controlled and generally below the average for comparative councils. Efficiency targets are being achieved through early identification of savings associated with service planning. Some savings are being made through county wide purchasing arrangements. However the Council's procurement strategy has been slowly implemented with some areas, such as electronic procurement, still to be developed. The Council has improved partnership, capacity, and value for money by contracting local voluntary services to assess bids for grant funding. Financial plans are supporting service improvements and investments in priority areas.
- 18 Wider interests of the community are supported by action and investment. Action on climate change is a focus for green travel plans developed with the LSP, which include specific car usage targets. The Council has funded a travel plan coordinator based at the University of Hertfordshire. This post has a remit to develop a St Albans City Centre Travel Plan with the LSP. Working with crime and disorder reduction partners the Council has established a scheme of diversionary activities for young people considered to be at risk of offending, although the impact of this is yet to be reported. The Council is supporting wider community interests through focussed investment and joint working.

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

- 19** Core management processes have been strengthened. Performance management is robust and is a driver for improvement across Council services. Weekly senior management meetings have been implemented as a mechanism to overcome any emerging barriers to improvement. Performance management software is now used for reporting to councillors, senior managers and teams. Senior manager performance is linked through the appraisal process to corporate priorities. A three year service and financial planning process has been introduced, reflecting corporate priorities and set within an assessment of budget pressures over ten years. This has been further developed to become a fully integrated service and financial planning process. Risk management has been established across all services with an agreed policy and a risk management group. Performance, financial and risk management processes have been strengthened to support improved efficiency.
- 20** The Council has established clear schedules of work with regular monitoring arrangements. Forward plan schedules for Council decision making and rolling action sheets are embedded processes that promote completion of key tasks and openness with residents. The schedules are available on the Council's website and include contact details for members and officers to facilitate consultation. There is regular monitoring of progress against the corporate strategy action plan focussed on agreed priorities. Revised management processes are providing a framework to improve services and effectiveness.
- 21** Capacity is being strengthened by implementation of an initial phase of restructuring. This has been partly managed using interim appointments where appropriate to supplement officer capability. The revised structures are designed to develop the capacity and configuration required to support continued improvement of processes across all service areas. Key roles such as the Chief Finance Officer and the Procurement Officer have been reframed to expand and clarify responsibilities. A new contract for IT services has been signed to support and provide opportunities for reviews of operational processes. The Council has begun a change process to support continued improvement and further efficiencies.
- 22** Partnership working is being enhanced to deliver shared priorities. Strategies for improvement are aligned closely with those of partners and supported by SMART action plans. Key themes in the community strategy are reflected in the Council strategy. Through the LSP, the Council has agreed partnership targets on reducing social and economic inequalities. However a lack of corporate structures for some partnership arrangements and performance management weaknesses has led to inconsistent outcomes.
- 23** Capacity is enhanced by working alongside partner organisations. Development of a new museum for non Roman history is being undertaken through partnership with the University of Hertfordshire. There is collaboration on joint bids for external funding with other Hertfordshire councils. Capacity and effectiveness is increased through some of the Council's partnership work.

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- 24** The Council has applied for a re-categorisation of its CPA score and the corporate assessment is planned for October 2008.

Service inspections

- 25** No service inspections have been undertaken at the Council in 2006/07. An access to services inspection will be undertaken in May 2008. We expect to issue the draft report in June 2008. The key messages from this inspection will be reported to Cabinet and summarised in our next Annual Audit and Inspection Letter.

Health inequalities

- 26** During 2007/08, we have been carrying out a project examining the approach to tackling health inequalities across the east of England, including Hertfordshire. This has involved a survey, interviews and workshops with a wide range of agencies engaged in tackling health inequalities. The work is reaching its conclusion, and indications are that partners have begun working together to tackle this challenging, cross-cutting agenda. We anticipate issuing our report in Spring 2008.

The audit of the accounts and value for money

- 27 As your appointed auditor I have reported separately to Overview and Scrutiny Committee - Corporate Services on the issues arising from our 2006/07 audit, in the Annual Governance Report, and have issued:
- my audit report, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate on 28 September 2007; and
 - my report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of resources

- 28 The findings of the 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);
 - internal control (including how effectively the Council maintains proper stewardship and control of its finances); and
 - value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 29 Judgements are made for each theme on the following scale which has been standardised by the Audit Commission across inspection and performance assessments frameworks.

Table 1 Standard scale used for assessments and inspections

Assessment	Score
Below minimum requirements - inadequate performance	1
Only at minimum requirements - adequate performance	2
Consistently above minimum requirements - performing well	3
Well above minimum requirements - performing strongly	4

- 30 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 2

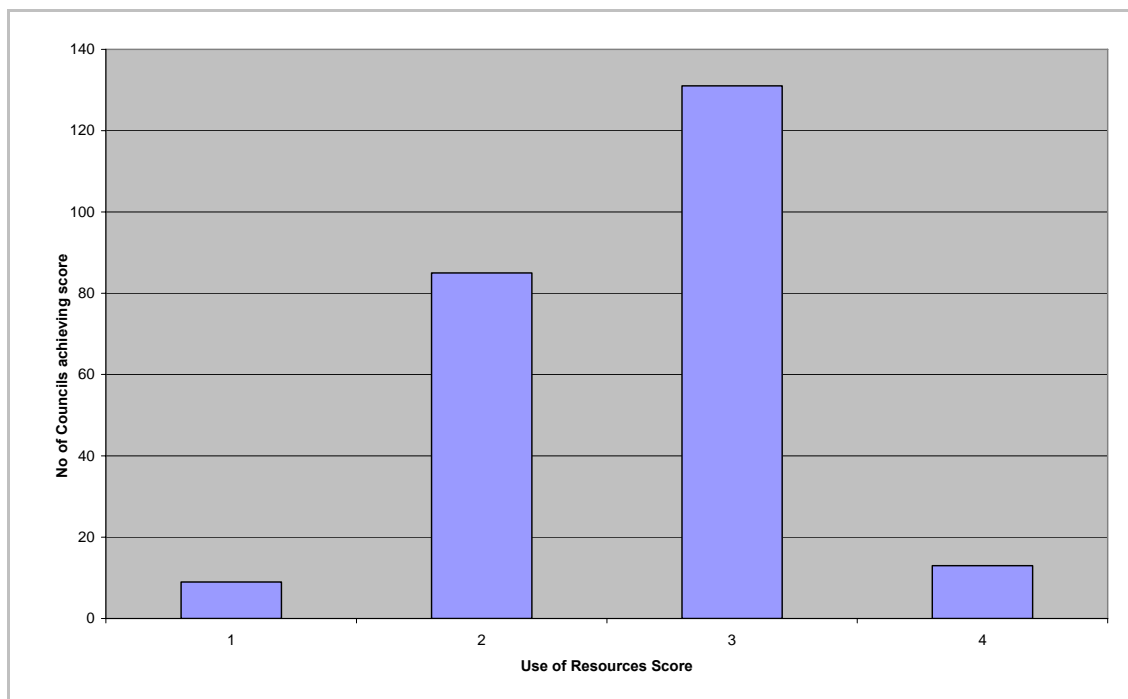
Element	Score 2007	Score 2006
Financial reporting	2	2
Financial management	2	2
Financial standing	2	2
Internal control	2	2
Value for money	3	3
Overall assessment of the Audit Commission	2	2

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 31 The quality of working papers supporting the draft financial statements has continued to improve and I was able to issue an unqualified opinion on the accounts by the deadline. However, there remain a number of areas for improvement, in particular:
- the draft financial statements approved by Members were incomplete, although the outstanding information was obtained, and reviewed, during the course of the audit. It is recognised that the presentational changes required to the statements as a result of the Statement of Recommended Practice (SoRP) 2006 had a significant impact on the work required; and
 - material mis-statements related to the SoRP presentational changes were identified in relation to the Housing Revenue Account and supporting disclosure note.
- 32 In October 2007, we undertook our third use of resources assessment at the Council. Although there has been no change in the overall use of resources score, the Council has maintained arrangements from the previous years and developments in the latter part of the period have been noted that should lead to further improvements being seen in the next assessment. There are further changes to the 2007/08 assessment, making it a 'harder' test. Consequently, the Council may have to improve arrangements in a number of areas in order to maintain the same score in 2007/08. Figure 2 below provides an analysis of district council 2007 use of resources scores.

Figure 2 Analysis of District Council 2007 Use of Resources Scores



Source: Audit Commission

33 We reported our detailed findings to officers in February 2008. If the Council is to secure an overall improvement in its use of resources score, an improvement plan will need to be developed that clearly sets out the areas in which improvements are required and identifies the individual(s) responsible for securing the improvement. This plan should be monitored on a regular basis at member level. Particular areas for improvement include:

- incorporating risk assessments and sensitivity analysis into budgets and subsequent monitoring;
- finalising and embedding performance measures for assets;
- determining the level of reserves and balances required on the basis of a thorough understanding of needs and risks;
- demonstrating proactive management of income collection and debt recovery;
- ensuring that risk management arrangements properly underpin the Council's processes, and include management of risks in relation to partnerships;
- reviewing internal audit capacity to enable audit plans to be delivered on a timely basis thereby strengthening the assurance provided;
- promoting a strong counter fraud culture and undertaking a formal risk assessment to identify areas for proactive counter fraud and corruption work;

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- embedding consideration of value for money and indicators in service planning, linked to targets to improve efficiency and including equity across the community, and routinely reporting and challenging value for money; and
- implementing planned improvements to corporate and strategic procurement.

Data quality

- 34** Our audit of the Council's arrangements for ensuring data quality, which fed into our value for money conclusion, concluded that the arrangements meet minimum requirements. Although not yet fully embedded, performance management guidelines have been finalised and distributed throughout the Council to raise awareness of data collection requirements.

Looking ahead

- 35** The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 36** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 37** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

Closing remarks

- 38 This letter has been discussed and agreed at the Chief Executive's Board on 13 March 2008. A copy of the letter was provided to all Council members by 31 March 2008 and formally presented to Cabinet on 1 April 2008 and at the Audit Committee on 9 April 2008.
- 39 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	April 2006
Best Value Performance Plan audit report	December 2006
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Use of Resources Auditor Judgements 2007	March 2008
Data quality	March 2008
Annual audit and inspection letter	March 2008

- 40 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

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

Debbie Hanson
District Auditor and Relationship Manager

March 2008