

Item No.	Classification: Open	Date: 31/01/06	Meeting name: Executive
Report title:		Annual Audit and Inspection letter 2004/05	
Ward(s) or groups affected:		All	
From:		Bob Coomber, Chief Executive Duncan Whitfield, Finance Director	

RECOMMENDATION(S)

1. That the Executive notes the Audit Commission's conclusions and refers the letter to the Regeneration and Resources Scrutiny Committee on 2 February for comment.

BACKGROUND INFORMATION

2. Annually the Audit Commission writes to the council summarising its conclusions and recommendations arising from recent audit and inspections of the Council.
3. A copy of the Annual Audit and Inspection letter is attached to this report (Appendix A).

AUDIT COMMISSION'S KEY MESSAGES

4. The letter notes that the statement of accounts, prepared ahead of deadline, was given an unqualified opinion by the District Auditor on 31 October 2005. Financial standing continues to be sound. There are adequate arrangements to monitor financial systems. Prevention and detection of fraud and corruption has been strengthened. Legality of transactions was seen to be satisfactory.
5. The District Auditor gave an unqualified opinion that the council had prepared and published its best value performance plan (the Corporate Plan) ahead of the statutory deadline of 30 June 2005. The Corporate Plan was agreed in tandem with the budget and published at the start of the financial year. There were no issues or recommendations in connection with the plan. Furthermore, no Best Value Performance Indicators were qualified in 2004/5.
6. The District Auditor sets out the following key messages for the council:

"The Council has had another successful year. This is highlighted in this year's Comprehensive Performance Assessment (CPA), which concluded that the Council is improving well and demonstrating a three-star overall performance.

This result reflects the considerable efforts of officers and Members to sustain and improve services particularly for children, crime reduction, education and customer services. The public's satisfaction with the Council continues to rise. There has been significant investment in environmental services and performance

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improvement on street scene and refuse management. Challenges remain in some areas, including aspects of recycling, housing benefits and the continuing pressure in meeting the decent homes standard, which are being addressed.

The Council is improving well and has continued to deliver service improvements in key corporate priority areas. There has been a strong performance across social care and the Council achieved a three-star rating for both children's and adult services with excellent prospects for improvement. Improving outcomes for young people is a key priority for the Council and there have been improvements in educational attainments; most notably in GCSE results. In addition, as a result of these improvements, the Council was able to bring education service back in-house from August 2005. However, some challenges remain. In particular, the number of primary and secondary schools that remain in special measures. A Director of Children's Services has been appointed to help develop the Children's wider agenda.

Southwark has seen improvement in a number of key areas when compared to other authorities. In particular, on length of stay in bed and breakfast accommodation and payments of invoices for commercial goods and services. In some areas, the Council's performance has moved from the third to the top quartile from 2003/04 to 2004/05. In addition, according to MORI, public satisfaction with the Council's services continues to rise.

Over 55 per cent of performance indicators have improved since 2002/03 and customer satisfaction has improved significantly. 41 per cent of the indicators are now in the top two quartiles, but 39 per cent of indicators remain in the bottom quartile and addressing performance in these services must remain a priority for the Council. Indicators in the lower quartile include numbers of school exclusions, number of housing benefits correctly processed and major planning applications decided in 13 weeks. The Council is moving forward with plans to meet the decent homes standard by 2010. There have been significant improvements in environmental services but the Council is still falling short of meeting statutory recycling targets.

The Council has made considerable progress in meeting the Decent Homes target. At the end of September 2005, 39 per cent of homes were non-decent (BVPI 184a). The Council is currently on target to meet a level of 36 per cent non-decency at the end of 2005/6. This means that from March 2002 to March 2006 there will have been a reduction in the percentage of non-decent homes by almost 30 per cent (51 per cent to 36 per cent).

The Council contributes effectively to wider community outcomes, and has one of the largest community wardens' schemes in the country with targeted action zones for tackling enviro-crime and anti-social behaviour. Recommendations from a recent report on equalities have helped the Council to focus on its diverse communities and these have been made an integral part of the Council's work. An effective performance management framework underpins continuous service improvement and the Council is increasing its capacity through its [forward@Southwark](#) programme”

7. The District Auditor outlined a number of key actions for Members' attention:
- The Council needs to continue to ensure that its medium-term financial strategy is robust and that reserves and balances adequately reflect ongoing needs and new risks emerging from major longer term priorities.
 - The Council should continue to develop and embed robust project management arrangements and build on its management capacity to ensure the successful delivery of its ambitious capital investment plans.
 - The Council needs to strengthen aspects of the management of the housing benefits system and the production of the government grant claim.

The importance of the above issues has been recognised by members. The Council has made good progress to achieving a target level of working balances of £10m, with the level currently standing at £8.9m. The position will be reviewed further over the coming months and through the accounts closing programme, with a further report submitted to Executive in due course. A significant proportion of Council staff are now trained in PRINCE2, an industry standard project management method. The Council recognise the challenges facing the housing benefit service and building on recent strengths to improve aspects of the service is key.

8. The District Auditor noted that the Council's financial position is sound and recognised the challenges facing the Council as it tries to match needs for 2006/7 and beyond to available resources. In commenting on the use of resources assessment in particular, the District Auditor noted areas of good practice include:
- Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver the strategic priorities set out in the Corporate Plan;
 - Council's financial standing remains sound;
 - Availability of clear information on the costs of key services is used to challenge their cost-effectiveness.

The District Auditor outlined areas for further development included: strengthening risk management arrangements; continuing to improve the presentation of financial statements; consider how the role of Audit Committee may best be discharged; model the medium term financial strategy around balance sheets and cash flows for a minimum three year period; and consultation with stakeholders in respect of summary of accounts.

The Council intend to put in place immediate improvement actions attached to the above including producing financial summary statements in the Council's Corporate Plan (elsewhere on this agenda) alongside further strengthening quarterly reporting through the Council's performance management framework.

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9. The letter reports the outcomes of other performance work which the District Auditor undertook in the year. This work included:
- Review of the Customer Service Centre, which identified clear and positive aspects of the implementation process alongside improvement opportunities through the first phase. An action plan has been agreed and the District Auditor will follow up further through the year ahead.
 - Review of User Focus that recognised strong commitment to user focus and that the Council was making good progress in further developing work in this area. Improvements to the way services are publicised, systems and processes for consulting and engaging, and ensuring relevant feedback processes are robust, were identified.
 - Review of progress in meeting the Decent Homes Standard, recognising considerable progress made.
 - Review of the response by the Council to the Public Interest Report relating to two planning applications, noting demonstrable resolve by all senior officers to implement improvement alongside new staffing appointments and changes to policies and procedures to accord with good practice. Further, the Audit Commission is currently finalising their report for presentation to the Council, following the review by Lord Ouseley.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Annual Audit and Inspection Letter 2004/05 (attached)	Financial Management Services	Duncan Whitfield, Finance Director 020 7525 7180

Audit Trail

Lead Officer	Bob Coomber, Chief Executive Duncan Whitfield, Finance Director		
Report Author	Stephen Gaskell, Head of Corporate Planning and Performance		
Version	FINAL		
Dated	23.01.05		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER			
	Officer Title	Comments Sought	Comments included
	Borough Solicitor & Secretary	No	No
	Chief Finance Officer	Yes	Yes
	Executive Member	No	No
	Date final report sent to Constitutional Support Services		23.01.05