

Annual Audit and Inspection Letter

February 2008



# **Annual Audit and Inspection Letter**

**Stratford-on-Avon 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.

### **Copies of this report**

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## Key messages

- 1 The main messages for the Council included in this report are as follows.
  - The Council has made significant progress since its last corporate assessment in 2004. It is now a 'good' council, performing well across all of its services.
  - The annual Use of Resources (UoR) assessment evaluated the Council's performance across all five themes in its use of resources assessment to determine how they manage and use their financial resources. Overall, the council is performing well in relation to having sound and strategic financial management to ensure that resources are available to support the council's priorities and improve services. This is an improvement on last year, the Council continues to manage its resources well and overall delivers good value for money across most of its services.
  - We gave an unqualified opinion on the statement of accounts on 28 September 2007. We concluded that the Council had adequate arrangements in place to deliver value for money.

## Action needed by the Council

- 2 We recommend that the Council take the considers the following areas for improvement.
  - The Council should develop its consultation with and understanding of the needs of minority communities and hard to reach groups.
  - The Council should ensure that partnership working is further strengthened to make sure all partnerships contribute to priorities and are effectively managed. The use of targets internally and externally to help drive improvement is inconsistent. Target setting that is more outcome focused and challenging will support the Council's drive to achieve excellence. Better targets will enable councillors, the public and partners to judge whether the Council is achieving planned improvements in services.
  - Continue to improve performance in Revenues and Benefits.
  - Demonstrate and deliver clear outcomes from the 'World Class Stratford' programme.

## 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](http://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.
- 9 Appendix 1 provides information about the fee charged for our audit and inspection in 2006/07.

## How is Stratford Council performing?

- 10 Stratford District Council was assessed as 'Good' in the Comprehensive Performance Assessment (CPA) carried out in 2007 improving from its 2004 assessment of 'Weak'. The following chart shows 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

- 11 As reflected in the new CPA assessment of 'Good' the Council has demonstrated substantial progress in improving the way that it plans and delivers services for local people. Overall service performance is good and improving, with 47 per cent of performance indicators amongst the best performing for all councils. However the rate of improvement did slow last year due largely to a down turn in benefits performance. Progress with improving outcomes in the Council's three cross cutting priority areas is good, reflecting improving partnership working and resulting in easier access to services for some previously excluded groups; although there is more to do in these areas. The management of value for money is proactive. The Council is now assessed performing well in this area - above minimum requirements, an improvement on the previous assessment.
- 12 Council plans to deliver challenging ambitions for the area are developing to improve target setting. It has a good track record of implementing its plans and performance management is increasingly effective. Clear leadership and better corporate governance arrangements have improved the Council's capacity for change.

## What evidence is there of the Council improving outcomes?

- 13 The CPA in 2007 identified that much of the Council's improvement since the previous review in 2004 has focused on strengthening the Council's governance and management arrangements. The Council have developed a clearer vision and focussed on the local priorities whilst continuing to work in partnership to deliver better services to the public. As a result, the Council is well placed to deliver on its overarching priority for 'achieving excellence'.
- 14 The Council can demonstrate that it is improving outcomes in its three cross cutting areas which are both corporate and community priorities. For example, more people in the district are participating in sport and the Council is on target to help 1,500 people quit smoking by 2008. Crime figures are low and falling, and fear of crime is reducing. These outcomes are contributing to the priority of 'safer and healthier communities'. Improvements in recycling services have led to a high and improving level of recycling, contributing to the priority for 'sustainable communities'. In respect of the priority for 'inclusive communities', the Council has improved community transport provision and has achieved its target of enabling the delivery of 250 affordable homes a year ahead of schedule. These and other achievements reflect improving partnership working and are visible outcomes that address the concerns of local people.
- 15 Overall service improvement is relatively good. In a basket of performance indicators for 2006/07, 59 per cent improved which is average for District councils, but is a lower rate than the previous year. However, the Council is already performing better than most other District Councils so improvement at the average district rate is relatively good. A significant contributor to the slow down in comparative improvement was due to deterioration in the Council's revenues and benefits performance. This was adversely impacted during the implementation of a new computer system in 2006/07. However, the recent data suggests that performance is recovering in 2007/08.
- 16 The Council is engaging more people and making access to services easier for some previously excluded groups, but there is more to do. General access to services has improved through the introduction of a customer contact centre, and putting all services on-line. Access for some targeted communities is also improving for example through piloting a mobile one stop shop in rural areas and successfully promoting the take up of council tax and housing benefits for residents on low incomes. The Council is working to mainstream equality and diversity issues into all its front line services and partnership activities but did not progress from level 2 of the government's Equalities standard in 2007.

- 17 Services are delivering better value for money (VFM) and are now assessed as performing well in the annual assessment for the year to March 2007. The Council is taking a proactive approach to improving VFM and this has led to efficiencies and cost savings, for example in the homelessness service. Overall costs and performance compare well with other District Councils but the significant investment in the Council's major regeneration programme 'World Class Stratford' is at an early stage. Therefore it is not clear if this investment is VFM or not at this stage.

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

- 18 The Council and its partners have developed challenging ambitions building on the international profile of Stratford-upon-Avon, its main town, and based on the needs and aspirations of the local community. The Council's detailed plans are mostly robust and support the delivery of its priorities but the CPA assessment highlighted more work was required on some strategies and weaknesses in target setting. The Council is responding positively to this. For example the Corporate Plan for 2008-2012 will include refreshed priorities and outcomes to make it easier for the local community to see if the Council is achieving its key aims across the district. Plans market towns and rural areas are still being developed.
- 19 The Council has a good track record in delivering its plans. It has implemented the majority of the Council Improvement Plan 2005-2009 and by the end of 2006/07, had delivered some 87 per cent of targets with the remainder on track for completion in the agreed timescale. Internal performance management arrangements are robust and increasingly effective. As a result, corporate management and services are improving.
- 20 The Council's capacity for change has significantly improved since the CPA in 2004. There is visible leadership and improved understanding of the respective roles of councillors and officers. Plans for improvement are linked to financial plans and the Medium Term Financial Plan and the Council has been proactive in producing a workforce strategy to ensure it has the right people and skills for the future. Whereas there is clear evidence that partnership working is improving capacity to deliver better outcomes for local people, partnership working does not always contribute effectively to the Council's priorities.
- 21 The Regional Development Agency (RDA) recently awarded the Council £5 million for the first phase of its 'World Class Stratford' regeneration project which aims to improve the quality of life and enhance the economic well-being of the town and area as a whole. The RDA has earmarked a further £20 for the second which aims to address traffic movement, cultural opportunities and affordable housing in the town centre. External funding of this magnitude increases capacity and is a clear support for the Council and its ambitions.

## **The audit of the accounts and value for money**

- 22** As your appointed auditor I have issued an unqualified opinion on the Council's accounts on the 28 September 2007.
- 23** Whilst there is always scope for improvement we were pleased at the co-operation received from the Council's officers and standard of working papers presented at audit.
- 24** Annual accounts should continue to be reviewed against the SORP disclosure checklist to ensure compliance with relevant standards. We issued a report to management incorporating recommendations in relation to the minor issues we highlighted on financial reporting.
- 25** Before giving my opinion, I reported to the audit committee acting as those charged with governance on the issues arising from the 2006/07 audit.
- 26** The statement of accounts on which the opinion was based contained no uncorrected misstatements but there were some adjusted misstatements. The adjustments related to one significant item and two non-trivial items as reported in the annual governance report to members of the Council in September 2007.
- 27** On review of the Statement on Internal Control (SIC) we noted that there were two areas of weaknesses that had been omitted from the original statement, the statement was consequently amended to include the weaknesses we identified. These are in relation to unsatisfactory audits reported by Internal Audit. These were not included in the statement in April due to timing issues. The two audits were Data Protection and Environmental Management. The s151 officer has agreed to add comments in relation to the weaknesses identified.

## **Whole of government accounts**

- 28** Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including local government. The Council is required to submit a 'consolidation pack' to Communities and Local Government and I am required, as your auditor, to undertake a range of procedures and report on the pack.

## Use of Resources

- 29 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).
  - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 30 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

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**Table 1**

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

*(Note: 1 = lowest, 4 = highest)*

### The key issues arising from the audit

- 31 The scored judgements are linked to our responsibilities under the Code and whilst no issues were identified to impact on the unqualified VFM conclusion, we did identify some areas for improvement and issued a report to management incorporating recommendations aimed at improving the Councils arrangements. A detailed report supporting the assessment and highlighting areas for improvement was issued to the Council in December 2007.

## Data Quality

- 32 Auditors' work on data quality and performance information supports the Commission's reliance on performance indicators in its service assessments for comprehensive performance assessment (CPA). This delivers the commitment to reduce significantly the level of service inspection required.
- 33 As part of our work on the value for money conclusion, we carried out a review of data quality. We considered whether the Council has proper arrangements in place to secure the quality of key performance data, and whether these arrangements are being applied in practice. A detailed report supporting the assessment and highlighting areas for improvement was issued in December 2007.

## Best Value Performance Plan

- 34 We have audited the Council's best value performance plan in accordance with section 7 of the Local Government Act 1999 and the Audit Commission's statutory Code of Audit Practice. We have not identified any matters to report to the Council and there are no recommendations to make on procedures in relation to the plan.

## National Fraud Initiative

- 35 The National Fraud Initiative is a computerised data matching exercise designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in January 2007. The National Fraud Initiative is a computerised data matching exercise designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in January 2007.
- 36 The Council took part in the Audit Commission's National Fraud Initiative (NFI). 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.

## Additional services

- 37 We did not carry out any specific pieces of risk-based work in 2006/07.

## Looking ahead

- 38 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.
- 39 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.
- 40 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

- 41 This letter has been discussed and agreed with your officers. A copy of the letter will be presented at the audit committee on 4 March 2008. Copies need to be provided to all Council members.
- 42 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 2      Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit and inspection plan	April 2006
Interim audit memorandum	June 2007
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Final accounts memorandum	December 2007
Data Quality Report	January 2008
Corporate Performance Assessment Report	October 2007
Annual audit and inspection letter	February 2008

- 43 The Council has taken a very 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

- 44 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.

**Dave Rigg**  
**Relationship Manager and District Auditor**

March 2008

## Appendix 1 – Audit and inspection fee

**Table 1**

<b>Fee estimate</b>	<b>Plan 2006/07</b>	<b>Actual 2006/07</b>
Audit		
Accounts	68,177	<b>77,979</b>
Use of resources	28,269	<b>28,269</b>
Total audit fee	96,446	<b>107,247</b>
Relationship management	6,216	<b>8,370</b>
Service Inspection	6,825	<b>6,825</b>
Corporate Inspection		<b>13,720</b>
Total inspection fee	13,041	<b>28,915</b>
Total audit and inspection fee	109,487	<b>136,163</b>
Certification of claims and returns	25,000	<b>41,915</b>