

Annual Audit and Inspection Letter

March 2008



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North Wiltshire 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 Council has been working to achieve improvements in its services against a background of structural change at senior officer level, restructuring within the finance function and dealing with significant issues in the management of its leisure centres. The main messages for the Council included in this report are:
 - Many services that contribute to corporate priorities are improving, but the picture is mixed. Forty-nine per cent of the performance indicators (PIs) that are used to assess direction of travel improved between 2005/06 and 2006/07. This is a higher proportion than last year (43 per cent), but is below the average for district councils nationally (57-59 per cent). The quality of services fell in 2006/07 with only 17 per cent of selected performance indicators (PIs) showing top performance, which is substantially lower than the national average for district councils and a deterioration from the 33 per cent reported in 2005/06.
 - The Council has since reviewed its corporate priorities and taken action in a number of areas. For example the benefits service has significantly improved and the time taken to process claims has shown a marked improvement. Planning performance has also recently improved. Some improvements have been made to improve access to council service for all residents and this work is continuing.
 - Governance arrangements remain adequate and this is reflected in our Use of Resources 2007 assessment. This showed that North Wiltshire scored 2 out of 4 'performing at the minimum requirements' in all areas.
 - Following amendments to the accounts, we issued an unqualified opinion on the Council's 2006-07 financial statements. We also judged that the Council had adequate arrangements in place for achieving value for money, and is delivering savings in excess of the government targets.
- 2 The proposals for local government re-organisation in Wiltshire are already having an impact on staffing levels in some areas, and will continue to make significant demands on councillor and officer time during the coming year. The Council is actively engaged in the transition work programme to the new Council and faces an ongoing challenge to strike a balance between ensuring 'business as usual' for service delivery to the public and preparing for a smooth handover to the new Council.

Action needed by the Council

- 3 Continue to implement action plans to improve services in agreed priority areas and monitor service standards to ensure they remain in line with statutory requirements.
- 4 Ensure that sound governance arrangements remain in place in the period leading up to the establishment of the new Wiltshire council.

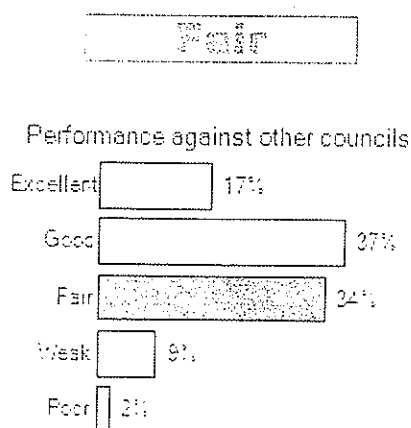
Purpose, responsibilities and scope

- 5 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.
- 6 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.
- 7 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].
- 8 Your appointed auditor is 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, the auditor reviews and reports 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.
- 9 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.
- 10 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 North Wiltshire District Council performing?

- 11 North Wiltshire 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. 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

- 12 Many services that contribute to corporate priorities are improving, but the picture is mixed. Forty-nine per cent of the performance indicators (PIs) that are used to assess direction of travel improved between 2005/06 and 2006/07. This is a higher proportion than last year (43 per cent), but is below the average for district councils nationally (57-59 per cent). The quality of services fell in 2006/07 with only 17 per cent of selected performance indicators (PIs) showing top performance, which is substantially lower than the national average for district councils and a deterioration from the 33 per cent reported in 2005/06.

- 13 The Council has effectively reviewed its corporate plans and priorities. The Council's priorities were set out in its Corporate Plan agreed in February 2007 and had a three year focus. The plan was reviewed by the Executive in September 2007, in the light of the Government's announcement about the establishment of one unitary council for Wiltshire from April 2009. This Transitional Corporate Plan amended some of the actions for the current year and changed the end date of the Corporate Plan to March 2009. It focuses on three priority areas agreed at a Member Policy Day in September 2007 - cleansing and amenities, revenues and benefits; and customer focus.

Cleansing and amenities

- 14 Progress with improvement in the cleanliness and amenities priority has been mixed. For the third quarter of 2007/08, recycling performance was well below average against a target to be in the top 50 per cent in the country. A cleansing and amenities service improvement board is in place and is focused on implementing improvements in line with the transition to one council for Wiltshire. An independent review was commissioned which resulted in an action plan identifying areas for improvement and proposed actions. An improvement objective to take the service from a low/medium performing service at medium cost to medium performance at low cost is now in place. The main visible improvements to the waste service this year have been clearer management structures, arrangements and roles, a visible split between policy and operations and, improved performance management structures. These revised arrangements and improvement plan provide a helpful framework for future improvement in this service area.

Revenue and Benefits

- 15 The benefits service has significantly improved. The time taken to process benefit claims has shown a marked improvement. Early indications from in-year performance data (un-audited) show that the Council is on target to be above average for 2007/08. Throughout 2007, the benefits service has been working closely with the Performance Development Team (PDT) of the Department of Works and Pensions (DWP) to identify barriers to performance improvement, streamline processes and improve customer experience. The PDT is now satisfied the right building blocks are in place, to achieve further sustainable improvement. As a result benefit claimants are receiving a better service.
- 16 Revenue services are also improving. Performance reports for quarter three of 2007/08 show in-year collection rates for council tax and business rates as being on target to be in the top 50 per cent of councils for 2007/08, which is an improvement to the previous year. This is due to increased staffing levels, reduction of the mail backlog, more prompt billing, regular reminders and summonses and more debt recovery action. In November 2007 the Executive agreed a provisional 'spend to save' allocation of £100,000 to fund a review of the service and to make the necessary interventions required to achieve top performance. The review was conducted in-house with some external support on Lean Process reviews. It is too early to report on the impact of that review on service performance.

Customer Focus

- 17 Improvement against the Council's customer focus priority is mixed. Some visible improvements are apparent during 2007 that include an information plasma screen at the front of the Council offices, housing drop-in sessions, and a Govmetric system in place to encourage greater customer feedback and allow better monitoring of satisfaction levels. Improvements have been made to the Council's website, which is now transactional and gives more choice to the customer. The Council's Customer Contact Team, who are the first point of contact for customers, visitors and telephone callers, have also retained the Government's Charter Mark in recognition of the high standard of customer service they provide.
- 18 Further improvement work is required and was agreed in November 2007 when the Executive endorsed the proposal to consolidate the numerous action plans relating to Customer Focus into coherent and realistic workstream action plans. Additional staff resources have been provided to further improve customer contact and call centre software has been extended to environmental services. The Council plans to ensure service improvements are fit for purpose for the new authority. These improvements allow residents better access to information on Council services.

Other Service Areas

- 19 Planning performance has improved to meet national performance standards. The speed of determining major planning applications was poor in 2006/07. The new major planning application protocol, introduced as a result of an Overview and Scrutiny review, has taken effect with significant improvements in performance. Performance after the third quarter of 2007/08 (un-audited data) showed 88.1 per cent of major applications being determined within thirteen weeks, which compares with top performance nationally. As a result customers are receiving a prompter service.
- 20 Improvement against the Council's housing priority is mixed. The Council has a robust policy framework in place to support the delivery of affordable housing. The Council is on target to deliver 300 new affordable homes over the next two years, with 182 new homes due for completion in 2007/08. The homelessness service has improved and that the Council is successfully helping to prevent homelessness in a number of ways, but performance remains comparatively poor. The Council is successfully improving both the quality and sustainability of homes in its area but the overall approach to improving private sector housing conditions remains an area for improvement. Out of date information on the condition of the district's housing stock means that housing renewal plans are not robust and do not set out how the Council will address the problems facing all private housing, both owner-occupied and rented.

- 21 The Council have been successful in securing the future of all six leisure centres in the District until vesting day. Through outsourcing two centres to independent community organisations and through a contractual agreement with DC Leisure on the remaining centres the Council has maintained, and in many areas improved, the service to the public while decreasing its financial commitment and increasing levels of participation. This represents better value for money than its previous management arrangements. However, information on comparative costs is limited. The Council cannot therefore demonstrate fully how its ongoing significant investment in leisure is meeting its efficiency priorities.

Corporate management

- 22 The Council has stepped up action to better engage with the wider local community. A Young Peoples Council is operating and has met five times in 2007/08, including the Activ8 conference in Local Democracy Week, which focused on young disabled people. The Council engaged with the gipsy and traveller housing survey, an area that had previously not been addressed. A number of initiatives have focused on improving access to services for vulnerable or difficult to reach communities including translation services, and an accessibility audit of Council facilities and customer contact. In addition a 'no barriers' event was held in December 2007 to promote disability equality in Wiltshire and provide an opportunity for the public to find out about information, support and advice available to disabled people. As a result such communities are better able to access information on Council services.
- 23 The Council is working well in partnership to tackle key local issues.. For example, through the Wiltshire Improvement Board, a skills development event for councillors was well received and resulted in a Member Development Charter being developed with West Wiltshire District Council and the County Council. This helps clarifies the role on local councillors and supports good community leadership. To help reduce crime and disorder, the Council hosts an anti-social behaviour officer on behalf of partners which has resulted in alcohol exclusion zones and work to prevent graffiti.
- 24 The Council has adequate arrangements for securing value for money. Efficiency targets have been met a year ahead of schedule. Cost and performance analysis was used to inform the priority setting process and councillors continue to explore cost efficiencies through overview and scrutiny task groups. The Council is starting to use 'lean' methodologies in some services but it is too early to demonstrate significant improvements as a result. Benchmarks are used to set targets and review the efficiency of approaches and schemes. The Council challenges all vacancies, including revising roles and structures to support and align to the Councils objectives and priorities where appropriate.

- 25 The Council has taken steps to strengthen the way it manages performance. Throughout 2007 poorly performing services were reported to the overview and scrutiny committee. This exception reporting arrangement was put in place to report poor performance but also performance in priority areas. The Council's new electronic performance management system provides one point for monitoring and reporting performance. It includes access to the corporate plan, service plans and the risk register. The Council is now planning to review the impact on service plans of the transition to one organisation. Performance information and processes are now better supporting decision making.
- 26 The Council faces challenges in providing sufficient capacity to deliver quality services in the lead up to the new Wiltshire council. The Council has agreed plans with the other councils in Wiltshire to ensure posts are back filled. Training of staff in new skills to support the move to the new council is underway. The Council is actively engaged in the transition work programme to the new council, and key council staff are fully engaged in transition plans. For example the Deputy Chief Executive is leading the front line services workstream. The Council is not in control of this work programme, and the unknown structures and location of the new authority could be a risk to capacity. Continued performance and improvement may be affected if key operational and front line staff leave and cannot be replaced. The Council faces an ongoing challenge of ensuring 'business as usual' for service delivery to the public and a smooth handover to the new Council.

Service inspections

- 27 As agreed with the Council's senior officers, we are currently carrying out an operationally focused housing audit. This work will provide an overview of the Council's strategic housing service to examine the progress made in delivering improvements.

The audit of the accounts and value for money

- 28 Your appointed auditor has reported separately to the Final Accounts and Audit Committee on the issues arising from the 2006/07 audit and issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 28 September 2008: and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

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.

Table 1

Element	Assessment
Financial reporting	2 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	2 out of 4

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 31 North Wiltshire's overall score was 2 out of 4 signifying a 'performing adequately' level. The Council continues to have adequate arrangements in place in all areas and work is continuing to ensure that these arrangements remain in place. Maintaining this level of performance will be a challenge for North Wiltshire, given the developments in the use of resources key lines of enquiry for the 2008 assessment (arrangements in place to 31 March 2008). The proposals for local government re-organisation in Wiltshire will also result in additional demands on staff and councillors, as key workstreams for the new Council are developed.
- 32 The key issues arising from the audit are as follows.
- Financial reporting - the 2006/07 accounts were produced within the statutory deadline. However, the accounts contained a number of significant errors that were set out in our Governance report to the Final Accounts and Audit Committee in September 2007. Following amendment of the accounts we issued an unqualified audit opinion. There remains scope to improve the standard of the accounts and working papers.
 - Financial management - the Council has satisfactory arrangements in place to manage performance against budgets and work is continuing to ensure that the improvements made since the previous assessment remain in place.
 - Financial standing - spending has been managed largely within budget and arrangements are in place to monitor the financial position on a regular basis. The Council's level of reserves remains satisfactory.
 - Internal control - the Council has strengthened its arrangements to maintain a sound system of internal control by re-establishing its internal audit function.
 - Value for money - overall the costs of the Council's services are low compared to other similar councils but performance across services remains mixed, with areas of poor performance. The Council continues to target resources at priority service areas, for example refuse and recycling and revenues and benefit, and there is evidence of recent improvements in some areas.
- 33 Work is ongoing to ensure that adequate arrangements remain in place and are effective in the coming year. For example, the Council has updated its Local Code of Corporate Governance and this was approved by the Final Accounts and Audit Committee in June 2007.
- 34 We are currently undertaking a review of the Council's approach to managing its leisure service. A draft report is currently being discussed with senior officers. Findings will be reported in our next Annual Audit and Inspection Letter.

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 with officers. A copy of the letter will be presented at the Final Accounts and Audit Committee on 7 April 2008. Copies need to be provided all Council members.
- 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 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Opinion on whole of government accounts	October 2007
BVPP report	November 2007
Use of Resources 2007	January 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.

Melanie Watson
Relationship Manager

31 March 2008