

STANDARDS COMMITTEE

5th February, 2004

CABINET MEETING

6th February, 2004

AUDIT COMMISSION: ANNUAL AUDIT AND INSPECTION LETTER 2003

Purpose of the Report

1. To draw the Audit Commission's Annual Audit and Inspection Letter to the attention of the Standards Committee and Cabinet and to invite Members to consider their response.

Background

2. The District Auditor presents each year a letter on issues arising from his audit for the relevant year (in this case 2002-03). This year the Audit Letter has been replaced with an Audit and Inspection Letter from the Audit Commission. This summarises the conclusions and significant issues arising from the 2002/03 audit and inspection programme and comments on other issues arising from the current 2003/04 audit. It also includes the Relationship Manager's assessment of the progress the Council has made since the Comprehensive Performance Assessment (CPA) in December 2002.
3. The Audit Letter has been circulated to all Members of the County Council.
4. The key message of the Letter in relation to Managing Change is that:

"The Council has responded positively to recent challenges and there have been improvements in a range of services, including education, social services and waste disposal. A foundation has been established for further service improvements, though this may take a number of years to be fully achieved..."

Main Considerations for the Council

5. The District Auditor's 'key messages' are summarised on page 2 of his letter. There is one item that I wish to place in context – 'Improving Performance Data'.
6. The key message in the Audit and Inspection Letter highlights the single statutory recommendation made following the audit of the Best Value Performance Plan (BVPP) (this is the County Council's Performance & Improvement Plan). This recommendation relates to the accuracy of some of the performance indicators (PIs) published in the Performance and Improvement Plan in June 2003. The statutory recommendation is:

"The County Council should ensure that satisfactory arrangements are in place to ensure accurate performance data in future years."

7. The statutory recommendation was contained in the District Auditor's report on the Best Value Performance Plan which was dated 31 December 2003. The County Council is obliged to respond to this recommendation within 30 working days, and so the following response has been issued:

'In addition to the statutory report on the BVPP, the District Auditor has also issued a draft report on the audit of performance indicators. This confirms that "Overall, systems for the capture and publication of performance indicators were sound". We have discussed further improvements with the local Audit Manager and these are being put in place. In addition, we have requested that the Audit Commission considers issuing its PI Newsletters at the same time the ODPM issues its definitions for PIs. The Audit Commission's Newsletter 22 for 2002/03 was received in March 2003, and further amended in May 2003. This timing is not helpful to authorities that use PIs during the year for performance management purposes, and then find that the definitions and calculation of the figures have been amended after the year has ended'.

8. As the response states, I have discussed the report with the Audit Manager. I am pleased that the changes put in place last year have led to improvements and that our overall systems are sound. However, I am disappointed that further improvements are still necessary to reach our goal of having no 'reserved' PIs. The details are shown below in para. 11.
9. The District Auditor audits our Best Value performance indicator (PI) data for 2002/03 and looks at changes since the figures were published in the Performance & Improvement Plan in June 2003.
10. Some PI data will change between early June (when it must be fed into the Performance and Improvement Plan) and early September when the audit is completed. This is either because better data becomes available, further guidance is received from the Government or the Audit Commission, or because of an error in the original data or calculation.
11. In September, if the Auditor is not confident about the final figure for any PI he will 'reserve' the PI. Based on national data from the Office of the Deputy Prime Minister (ODPM), two of our PIs were 'reserved'. The average number for county councils for 2002/03 was 4 'reserved' or missing PIs. Although our performance is better than average we are disappointed with the result. Our 'reserved' PIs were:
- **BV180a&b: Energy PIs.** These are new PIs and two problems existed – Wiltshire did not comply with the definition for 2002/03 (but the national definition for 2003/04 has now changed to the method used by Wiltshire). The second problem was the availability of data for part b, and our computer system has been amended to provide the data for this for 2003/04. 18 out of the 34 county councils had BV180 'reserved' or failed to supply data.
 - **BV156: Buildings with disabled access.** In common with many other councils we have taken a common sense approach to this which does not meet the strict definition. We decided to keep the figure (and have the PI reserved) rather than revert to what we believe to be a misleading figure.

12. If the figure for a BVPI changes following the publication of the Performance & Improvement Plan we publish a correction on our website. If the District Auditor is confident about the accuracy of the final figure it will be included in his return to the Audit Commission without reservation. However, the District Auditor must consider the number of such changes in his assessment of accuracy. He has identified 10 such PIs in his report, and it is this which has triggered the statutory recommendation. I cannot compare the number of Wiltshire's changes to those of other county councils because this information is not published nationally.
13. Of these 10 PIs, only 3 differed from the original figure by more than 15% (which is the threshold for 'significance' used by the Audit Commission). These are:
- **BV52 Cost of intensive care for adults.** This changed from £475 to £390. The original figure was based on estimated expenditure and was changed following the reallocation and apportionment of costs during the financial closedown process. This is now included in the department's working papers so this error should not be repeated.
 - **BV161 Care leavers in education or employment.** This changed from 52.29% to 44.00% following verification by the Department of Health (DoH) which matches its data to that of the County Council. From 2003/04, the verification will be completed on-line which should eliminate these differences, and the standardised use of Care First will help the County Council to provide the right data first time.
 - **BV 177 Percentage of legal advice expenditure on quality mark services.** This was a new PI and changed from 0.16% to 89.00% following comparison with the preliminary results of other councils. The calculation in the definition had been misunderstood and the figures were corrected.
14. The remaining 7 PIs had less significant changes, these were due to:
- Changes following verification by the DoH (3 PIs). These problems should be eliminated by the DoH's new on-line verification system and the standardised use of Care First.
 - Non-compliance with Newsletter 22 (3 PIs). This is a newsletter issued by the Audit Commission 'clarifying' the way PI data should be collected and calculated. This is to aid comparability across the country. Two actions have been taken to avoid this error in the future. Firstly, officers will be reminded of the need to comply with the Newsletters and an electronic link to the Newsletter will be placed on the intranet once the information is received from the Audit Commission. Secondly, the Audit Commission has been requested to consider sending out its Newsletter at the same time the ODPM issues the PI definitions, rather than at (or after) the year end.
 - A very small change to BVPI 102 (passenger journeys on all local bus services). This changed the figure from 9,290,773 to 9,291,189, a difference of 0.004%.
15. Although I am disappointed that we have received this statutory recommendation, I am pleased that our problems are limited and that our underlying systems are considered sound. The District Auditor has helped us to achieve these improvements in our systems and his staff were helpful during the audit.

Environmental Impact of the Proposal

16. No specific recommendations or implications.

Financial Implications

17. The Audit Commission's Letter is relevant to the County Council's financial arrangements.

Reasons for the Proposals

18. To draw the Audit Commission's Annual Audit and Inspection Letter to the attention of Members and to invite Members to consider their response.

Proposals

19. I recommend that
- (i) the Cabinet welcomes the District Auditor's letter and asks me to draw up a programme for considering the recommendations in the letter;
 - (ii) the Standards Committee considers and expresses any observations, relating to those issues highlighted within the Letter in which it wishes to take a direct interest – particularly those related to standards, conduct and probity
 - (iii) the key actions arising from the Council's agreed responses to the recommendations in the letter are reflected in the Council's Performance and Improvement Plan, which will be published in June 2004

KEITH ROBINSON

Chief Executive

The following unpublished documents have been relied upon in the preparation of this Report: Audit Commission's draft report on the audit of performance indicators and associated correspondence.