

# **Annual Audit and Inspection Letter**

**Salisbury District Council**

**Audit 2004/2005**

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# Contents

<b>Introduction and key messages</b>	<b>5</b>
Introduction	5
Key messages	5
<b>Performance</b>	<b>7</b>
Audit commission inspections	7
Performance work	9
Performance information	9
Follow up work	10
Direction of travel report	13
<b>Accounts and governance</b>	<b>19</b>
Audit of 2004/05 accounts	19
Report to those with responsibility for governance in the Council	19
Matters arising from the final accounts audit	19
Financial standing	19
Systems of internal financial control	20
Standards of financial conduct and the prevention and detection of fraud and corruption	21
Legality of transactions	21
Use of resources judgements	22
<b>Other work</b>	<b>23</b>
Grant claims	23
National Fraud Initiative	23
Voluntary Improvement Work	23
<b>Looking forwards</b>	<b>25</b>
Future audit and inspection work	25
Revision to the Code of Audit Practice	25
A new CPA framework	25
<b>Closing remarks</b>	<b>26</b>
Availability of this letter	26
<b>Appendix 1 – Background to this letter</b>	<b>27</b>

The purpose of this letter	27
Audit objectives	27
<b>Appendix 2 – Audit reports issued</b>	<b>30</b>
<b>Appendix 3 – Audit fee</b>	<b>31</b>
Inspection fee update	31

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# Introduction and key messages

## Introduction

This final audit and inspection letter summarises our 2004/05 work that has been completed to date including completed inspections and our audit of the Council's accounts and governance arrangements. We provided officers with an interim audit and inspection letter in December 2005. This final letter is essentially that interim letter updated to reflect our recent work on assessing the Council's use of resources arrangements and your direction of travel in relation to your corporate performance assessment.

## Key messages

### Performance and inspection

Our review of the Council's priority area of customer focus concluded that it provides good, two star customer focused services that have promising prospects for improvement. The Council has had a long standing focus on improving customer services and there are high levels of satisfaction with Council services but the Council is not delivering its own targets for equality and diversity and customer access in a number of areas is weak. There is also more scope to work with partners to provide a more seamless service across the county. The Council has adopted the Customer First Action Plan and work is already underway in a number of key areas.

The Council's strategic framework for delivering its capital programme is generally sound but arrangements for monitoring progress on delivering projects should be strengthened by setting clear milestone targets and linking these to the performance management system.

The Council has made significant progress in implementing its improvement plan for development control and actual performance exceeded targets for all three indicators for 2004/05. This improvement in performance has resulted in a significant increase in the amount of planning and development grant awarded to the Council for 2005/06 and 2006/07. This is a considerable achievement by the Council.

Compliance with the Council's financial regulations on ordering goods and services has improved. A key milestone in the Council's improvement agenda will be its new procurement strategy, which has been updated and approved by Council on 12 December.

We have also reviewed the Council's progress against its key improvement priorities. More details of this commentary on direction of travel can be found later in this report.

### **The accounts and Governance**

Our assessment of the Council's use of resources arrangements concluded that overall the Council was performing well and was consistently above the minimum requirements in many areas. Governance arrangements have been strengthened during the year through the implementation of a number of actions arising from the corporate governance review carried out last year.

The Council's financial position is generally satisfactory although it continues to face significant pressures.

### **Action needed by the Council**

The Council should put in place systems to ensure that the needs and requirements of the entire community are understood and set objectives and targets for improving outcomes for the whole community across services.

The Council should set clear milestone targets to monitor progress on delivering capital projects. These should be linked to the performance management system.

Continue implementation of the new procurement strategy and monitor compliance with it.

Develop an action plan to address the improvement areas identified in our recent Use of Resources report.

Monitor progress on the governance action plan.

## Performance

Our review of the Council's priority area of customer focus concluded that it provides good, two star customer focused services that have promising prospects for improvement. The Council has a long standing focus on improving customer focus and there are high levels of satisfaction with Council services but the Council is failing to deliver its own targets for equality and diversity and customer access in a number of areas is weak. There is also more scope to work with partners to provide a more seamless service across the county. The Council has adopted the Customer Focus Action Plan and work is already underway in a number of key areas.

The Council's strategic framework for delivering its capital programme is generally sound but arrangements for monitoring progress on delivering projects should be strengthened by setting clear milestone targets and linking these to the performance management system.

The Council has made significant progress in implementing its improvement plan for development control and actual performance exceeded targets for all three indicators for 2004/05. This improvement in performance has resulted in a significant increase in the amount of planning and development grant awarded to the Council for 2005/06 and 2006/07. This is a considerable achievement by the Council.

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## Audit commission inspections

### Customer Focus Inspection

Customer focus is about refocusing services around the needs of all sections of the community. An accessible and user focused organisation places the customer at the heart of the service delivery, it knows what local people want and has organised itself to deliver this. Developing a more user-focused approach is not just a regulatory obligation. It is also part of good management and providing high-quality services.

Improving customer focus has been highlighted as a priority for improvement by all five councils in Wiltshire. As a result an inspection of customer focus at the

council was undertaken in May and reported in October alongside similar reports for the other councils in the County.

The inspection judged that Salisbury District Council provided a “Good” service with promising prospects for improvement. The Council has had a long-standing focus on improving customer focus. There are high levels of satisfaction with the Council and a generally good approach to communication and consultation, which has contributed to a high proportion of local people who feel they are kept informed by the Council. However, the Council is failing to deliver its own targets for equality and diversity and customer access in a number of respects is weak - the range of council offices is confusing, facilities are not always customer-friendly and offices are not all accessible to disabled people.

In addition, the council and its partners (particularly the other councils in Wiltshire) are not yet maximising the potential for joint working to provide a more customer focussed service that meets the needs and expectations of local people for a more joined up and seamless service across the county.

Key recommendations to the Council arising from the inspection include

- improve access to council services by:
  - ensuring that all information about council services is clear, uses plain language and is widely available in appropriate alternative formats;
  - progressing plans to adopt more customer-focused opening hours;
  - developing a robust understanding of the needs and requirements of all sections of the local community through effective monitoring systems and by engaging with under-represented groups; and
  - taking positive steps to embed equality, diversity and a customer-focused culture across the Council.
- improve council services to customers by:
  - developing mechanisms for ongoing consultation with a representative cross-section of the local population;
  - ensuring consultees are given feedback on how their views were taken into account in policy and decision-making;
  - undertaking specific consultation with local people on service standards ensuring that they are easily accessible and well publicised to customers;
- support change in the Council by:
  - developing a strategy to ensure effective internal communication of the vision and selling the benefits of the new approach to the delivery of customer services;
  - systematically creating milestones in the programme; and
  - ensuring that there are robust performance management arrangements to effectively monitor the delivery of the outcomes and benefits arising from the business process re-engineering programme.



Key findings common to all five councils were presented to a meeting of the county-wide Customer First partnership board in September 2005. Each council had strengths in different aspects of customer focus and councils were urged to learn from each other. Common areas of development were also agreed and the partnership plan to take action to improve in these areas.

The Council has adopted the Customer Focus Action Plan and work is already underway in a number of key areas.

## Performance work

### Review of Capital Programme Management

As part of our 2004/05 audit work we reviewed the Council's arrangements for managing its capital programme. The value of the Council's capital programme is significant at £50 million for 2002 - 2008, and it is essential that robust programme/project management arrangements are in place if best use is to be made of financial and human resources. In previous years, there has been considerable slippage in the capital programme, although this is now beginning to improve.

We found that the Council's strategic framework for establishing and delivering its capital programme is generally sound but there was a need to establish a corporate group to oversee the delivery of the programme and its future development. The delivery of programmed projects is planned in a systematic and structured manner but the Council does not always follow its own procedures or monitor its achievements against targets.

The key recommendations from the review included;

- Strengthening the monitoring of progress on delivering projects by setting clear milestone targets and linking these to the performance management system; and
- Engaging a wider group of staff from across the organisation in the strategic management, monitoring and development of the capital programme.

A report setting out our findings and recommendations was discussed and agreed with the Head of Financial Services.

## Performance information

We reviewed your 2005/06 Best Value Performance Plan (BVPP) to ensure its content complied with statutory requirements. We also reviewed a number of 'high risk' performance indicators specified by the Audit Commission. In addition, we reviewed a small number of other indicators following discussion with officers.

The audit of the Best Value Performance Plan (BVPP) 2005/06 confirmed that:

- The BVPP was published by the statutory deadline;
- The BVPP included all the 2004/05 actual performance information, with one exception BVPI 106, and all required targets;
- There were no statutory recommendations; and
- There were no reservations placed on any of the performance indicators tested.

There was one significant amendment to the Audit Commission specified indicators, relating to re-let times. This was a new indicator and not one required to be published in the BVPP this year. In addition there were two significant amendments to other indicators, relating to BVPI 76a (number of claimants visited per 1000 caseload) and BVPI 157 (e-government enabled interactions). The amendments were made prior to submission of the data to the Audit Commission and an addendum has been placed on the Council's web site.

The findings from our review were discussed and agreed with officers. An action plan to address the recommendations from the review was agreed with the Performance Improvement Manager.

## Follow up work

As part of this year's audit, we reviewed the progress on the key issues highlighted in our previous Letter. The position is summarised in table 1.

**Table 1 Follow up to issues reported**

<b>Issue from 2003/04 reported in the annual Audit and Inspection Letter</b>	<b>Action taken</b>
Continue to monitor and update your improvement plan.	We are currently reviewing progress on your improvement plan as part of our 2005/06 work. This will be reported in our final Annual Audit and Inspection Letter in March 2006.
Implement the local code of corporate governance and monitor compliance with it.	A Local Code of Corporate Governance was approved by Council on 21 February 2005. Responsibility for monitoring compliance with the Code rests with the Policy Director (David Crook).
Implement the governance action	Progress has been made on a

Issue from 2003/04 reported in the annual Audit and Inspection Letter	Action taken
plan to embed good governance arrangements throughout the Council.	number of issues and the action plan is currently being reviewed and updated. Progress on outstanding issues will be monitored by the Audit Committee.
Continue to monitor the delivery of the improvement plan for development control.	Significant progress has been made and has been referred to in the following paragraphs.
Strengthen the co-ordination arrangements for best value performance indicators.	A new Performance Improvement Manager was appointed earlier this year and the 'standard proforma' was more widely used this year.
Continue action to improve compliance with ordering and payment regulations.	Internal audit's review in July 2005 showed that compliance had improved significantly. The Chief Executive also wrote to all service unit heads in October 2005 reminding them of the need for continued compliance.

We have also reviewed progress on previous audit reports relating to development control and procurement.

### Development control - progress review

Past poor performance on government targets for development control resulted in a review of the Council's procedures and processes. Following this review, an implementation plan was drawn up to improve the service and over the past two years the Council has been working to address the issues raised.

A key issue for the Council last year was to continue to monitor the delivery of the improvement plan for development control. Table 2 shows the Council's performance against its targets.

**Table 2 Government targets for development control**

BVPI 109	2002/03 actual	2003/04 actual	2004/05 target	2004/05 actual
% of major applications processed within 13	20.6	57.4	60	76

<b>BVPI 109</b>	<b>2002/03 actual</b>	<b>2003/04 actual</b>	<b>2004/05 target</b>	<b>2004/05 actual</b>
weeks.				
% of minor applications processed in 8 weeks.	41.9	44.2	59	71
% other applications processed in 8 weeks.	69.7	70.6	80	89

#### *Best value performance indicators*

The Council has made significant progress in implementing its improvement plan for development control. As can be seen from the above, actual performance exceeded targets for all three indicators for 2004/05. As a result of these improvements in performance there have been significant increases in the amount of Planning Delivery Grant awarded to the Council for 2005/06 and 2006/07. This is a considerable achievement by the Council.

The improvement plan is a live document and action is continuing to maintain the high levels of performance achieved to date.

#### **Procurement - progress review**

An audit of the Council's arrangements for procurement was done as part of our 2002/03 audit and, in May 2003, the Council agreed an action plan to improve its procurement arrangements. Procurement was also a key priority in the Council's CPA improvement plan.

Follow up work as part of our 2004/05 audit indicates that the Council has made good progress on improving its procurement policy and practices and is implementing many of the recommendations from the previous review. Most of the actions that are still outstanding are actively being addressed. There are notable achievements in obtaining better value for money from the purchase of office supplies and from working in partnership with other councils on joint procurement initiatives and contracts. The Council is also introducing new financial systems and controls that will help to achieve higher levels of compliance with its purchasing rules. A key milestone in the Council's improvement agenda will be the adoption of its new procurement strategy, which has been updated and was approved by Council on 12 December 2005.

The detailed findings from this progress review, and the action outstanding, were summarised in a report which was discussed and agreed with officers. Progress

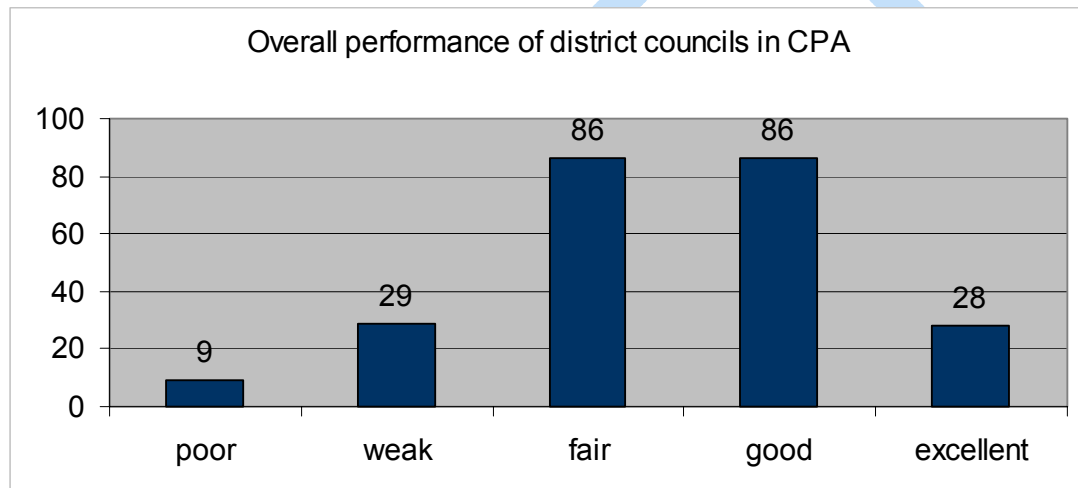
on the actions outstanding should be monitored and reported through the Audit Committee.

## Direction of travel report

Salisbury DC was assessed as Good in the Comprehensive Performance Assessment carried out in 2004. These assessments have now been completed in all district councils with the following results.

**Figure 1 Overall performance of district councils in CPA**

Three times as many district councils are rated Good or Excellent than Poor or Weak



*Source: Audit Commission*

The Council has six political priorities and four supporting organisational themes as a focus for improvement and we have been working with the council as it seeks to improve further. The six political priorities are: improving customer service, improving housing stock, delivering more affordable homes, improving waste management, improving transportation and improving community safety. The organisational themes are meeting the financial challenge, improving the performance of the council, partnership working and community engagement and building the capacity of the organisation. Progress made against these priorities is monitored internally on a regular basis and reported to the public annually in the Corporate Plan and other mechanisms such as the annual council tax leaflet. The progress made in each of these priorities is outlined below.

## **Improving Customer Service**

The Council has made significant investments in key building blocks to support the Improving Customer Service programme. This includes staffing, information technology and the introduction of mobile services in community areas. The Council has made good progress in setting up and expanding the customer services unit which has a strong customer-focused culture.

The Council's information technology system offers a solid base from which to deliver improvements in customer service and meet priority outcomes. There is a high level of internet use in the district and the Council's website provides a range of useful features for members of the public. The website provides a good focus for people wishing to do business with the Council or obtain information. It provides up-to-date service information, council and community news and online services. Local people consulted during the Customer Focus Inspection in Summer 2005 valued the Council's website. The Council is making good progress in terms of meeting the Government's expectations for the electronic delivery of all services.

The accessibility of Council buildings to people with disabilities is poor. Currently the percentage of buildings that are accessible to disabled people is in the lowest 25 per cent of councils. However, the Council has taken positive steps in developing costed proposals for constructing a fully accessible centralised office, although inevitably there remain risks and uncertainties associated with the delivery of a project of this scale and nature. The Council has also developed a Disability Action Plan for housing services.

## **Improving Housing Stock**

The Council is providing good quality housing for its tenants. The CPA in 2004 found that the housing services provided for tenants were excellent. Substantial investment over the last few years has put the Council in the position where the housing stock can meet the Decent Homes Standard for some years to come. The number of properties meeting the standard has been in the best 25 per cent of councils for the last three years and continues to improve. The average energy efficiency of council owned housing is also in the best 25 per cent and improving.

Performance on repairs is improving. The number of appointments made to undertake housing repairs that are being kept is below average but continues to improve. Urgent repairs are being dealt with quickly and meeting Government targets.

## **Delivering More Affordable Homes**

The Council is being proactive in taking steps to improve housing provision for people who most need it. During 2004/05 the council issued Supplementary Planning Guidance to secure affordable housing on major development sites and entered into partnership with a venture capital company to secure market funding for affordable homes. It is projected that in the medium term over 700 new homes

will be secured as a result which will assist in meeting the Council's target of 350 affordable homes by 2006.

Services provided to homeless people are improving. Since the implementation of the Reducing Homelessness Strategy the average time spent in bed and breakfast accommodation reduced considerably and is now below average. The use of hostel accommodation has also reduced and is in the best 25 per cent of all councils.

### **Improving Waste Management**

Performance of the waste management service is mixed. The cost of waste collection is around the average but public satisfaction with the service is high. The work of the service has been recognised with a Chartermark award. Volumes of waste collected remain similar to last year and the amount of waste recycled is improving. Public satisfaction with recycling facilities is low despite 98 per cent of the district having a kerb side collection of recyclable waste.

Work is underway to improve waste management. The Waste Minimisation Strategy has been reviewed with the aim of increasing recycling rates. Additional recycling facilities are being set up and the range of recyclable material collected at the kerbside is being extended.

### **Improving Transportation**

The Council is actively making improvements in transportation aimed at improving the environment of Salisbury. Working in partnership with Wiltshire County Council and the Government Office for the South West it produced a five year Local Transport Plan to minimise pollution, congestion and improve road safety. This partnership attracted £34million of government funding for a programme of identified improvements. To date, all the objectives of the Local Transport Plan which finishes in March 2006, have been achieved with the exception of one which is being carried into the second five year plan. Achievements to date include the opening of two park and ride sites and the implementation of the Intelligent Transport System for Salisbury which provides real time passenger information for public transport.

### **Improving Community Safety**

Crime rates are low even relative to similar areas and are generally improving. The level of crime is below the average except for vehicle theft. Crime rates are reducing for the key types of crime other than vehicle theft which is increasing. During 2004/05 an Anti Social Behaviour Order toolkit has been produced to enable swift action to reduce anti social behaviour.

The Council is engaging with hard to reach groups to reduce crime and disorder. A full time Community Sports Coach (Inclusion), funded through partnership arrangements, was appointed in November 2005. They have been working to

provide a range of diversionary sporting activities in Mere, Tisbury and Salisbury, although it is too early to assessment the impact this is making on reducing crime and disorder. In May 2005 the Young People's Strategy was completed with a supporting website.

## **Meeting the Financial Challenge**

Systems are in place to target resources at key priorities. The CPA identified the need for the council to improve its financial capacity to implement future plans. The Medium Term Financial Strategy (MTFS) makes clear links to the Council's aims and priorities and has been revised to enable resources to be moved from non priority to priority areas. There is now an integrated corporate planning and performance management framework based on clear portfolio plans. Financial resources are now reviewed annually as part of the MTFS and portfolio plans. The budget for 2005/06 was set in consultation with local residents.

The Council is taking steps to improve its financial capacity and maintain good value for money. The collection of council tax is among the best 25 per cent of councils nationally and is improving. The number of invoices paid within Government targets is above average. Stage one of a new financial management system has been completed and stage two, electronic purchasing, is on line to be completed by March 2006. In 2005/06 Band D council tax remained in the lowest 25 per cent of district councils. The income from fees and charges for 2005/06 has increased by £269,000.

## **Improving the Performance of the Council**

Residents are generally satisfied with services provided by the Council. The Council continues to review services to improve overall performance, quality and cost and levels of council tax are in the lowest 25 per cent of district councils. There are high levels of satisfaction with cultural services such as museums and art galleries and with the benefits service. There is high level of tourist satisfaction with cleanliness of streets and upkeep of parks and open spaces. Resident satisfaction with standards of cleanliness has improved and is now in the best 25 per cent of councils. The majority of the Council's Key Performance Indicators (KPIs), 62 per cent, have improved since 2002/03. More than half of the Council's KPIs are performing well. 26 per cent are among the best nationally and a further 36 per cent are above average.

The Council has a strong track record of implementing change that has led to delivery of service improvement. For example, planning development control was previously not performing well and has been a major focus for improvement over recent years. From being a poor performing planning service three years ago, it is now in the top 25 percent of councils for the speed of dealing with planning applications. The improvement was such that the Council is being awarded the highest level of planning delivery grant of any district council for 2006. Another example is the homelessness service. Homeless families were spending on average 17 weeks in bed and breakfast accommodation in 2003/04. In 2004/05



that figure had fallen to two weeks. This was achieved by reviewing the homelessness service and the development and implementation of the Reducing Homelessness Strategy.

### **Partnership Working and Community Engagement**

The Council is committed to partnership working and community engagement. The council agrees its priorities following consultation and it keeps sustained focus to secure its priorities for the wider public good. The Council undertakes extensive public consultation and the council priorities have emerged following extensive research using the citizens panel, household surveys circulated with the electoral registration canvass and the Best Value Performance Information household survey. During 2004/05 the existing Community plans were renewed. Area based community plans and a district wide Community Strategy were implemented. These will be monitored six monthly through area committees. Partnerships are being rationalised to link clearly to objectives. For example the Community Safety Partnership Board merged with the Alliance Board from November 2005. The Council is becoming more active regionally. The Deputy Leader now represents the Council at the Regional Assembly and has been very active on the Regional Spatial Strategy.

The Council is taking steps to improve its delivery of services to hard to reach groups. It is working with the local Diversity Partnership to jointly commission a report on the needs of and better engagement with black and minority ethnic individuals and groups. It has also established contact with Gypsies and Travellers through the Dorset and Wiltshire liaison meeting.

### **Building the Capacity of the Organisation**

Performance on developing the human resources capacity is mixed. The CPA in 2004 identified the need for the Council to improve human resources capacity to deliver future plans. Since then a training and development strategy for councillors has been implemented and a training needs survey has been conducted. This has led to focused training courses being implemented to meet councillors' needs. Sickness absences are below average nationally and improving. The percentage of staff from minority ethnic communities employed by the council is above average. The percentage of women in senior positions is among the lowest 25 percent of councils nationally. The percentage of staff who have disabilities is also below average.

There are a number of partnerships in place which are reducing costs and improving quality through joint procurement. Examples include the county and district customer first partnership to improve customer access to services, transport initiatives and waste management partnerships that jointly procured a customer relationship management system. The introduction of a 24 hour payment line, and online payment service have led to saving of £30,000. In 2004/05, over £70,000 of cashable efficiency savings were achieved through procurement.

The council is successfully pursuing external funding to support local priorities. It has recently appointed an External Funding Officer to identify and bid for funding to support corporate strategic priorities and local voluntary organisations. It has successfully accessed external funding from DEFRA, the Food Standards Agency and The South West Centre of Excellence. This funding is being used, for example to develop training for local food businesses on the requirements of new legislation.

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## **Accounts and governance**

Our assessment of the Council's use of resources arrangements concluded that overall the Council was performing well and was consistently above the minimum requirements in many areas. Governance arrangements have been strengthened during the year through the implementation of a number of actions arising from the corporate governance review carried out last year.

The Council's financial position is generally satisfactory although it continues to face significant pressures.

### **Audit of 2004/05 accounts**

We gave an unqualified opinion on the Council's accounts on the 31 October 2005.

### **Report to those with responsibility for governance in the Council**

We are required by professional standards to report to those charged with governance certain matters arising from our work before we give an opinion on the financial statements. We met with the Audit Committee on 20 October and reported that there were no matters arising from this year's audit of the accounts that Members needed to be aware of prior to our giving the opinion.

### **Matters arising from the final accounts audit**

The published accounts are an essential means by which the Council reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. Cabinet approved the Council's annual accounts on 8 June 2005 and these went to full Council on 27 June 2005. The Council is therefore well placed to meet the Government's earlier reporting deadlines next year when the requirement is to approve the accounts by the end of June 2006.

### **Financial standing**

The Council's financial position is generally satisfactory although it continues to face significant pressures.

## General fund spending and balances

The Council set its 2004/05 net budget at £11.5m and actual expenditure was in line with the budget. The general fund balance at 31 March 2005 was £1.4m. This was in line with the Head of Financial Service's recommended balance, based on an assessment of risk, of £1.3m.

For the current year 2005/06, the Council has set its budget at £11.9m. Currently, projected expenditure for 2005/06 is some £300,000 more than the budget. The potential impact of this would be that the general fund balance would fall below the guideline level set out in the Council's medium term financial strategy (MTFS).

Looking ahead to future years there is continuing uncertainty concerning the level of Government grant, although the Government is moving toward a three yearly announcement of grant by announcing two year's grant this December. In addition the Council will be required to continue to respond to service pressures such as those arising from recycling targets.

The Council is currently considering proposals for future year's budgets and these provide for restoring the general fund balance to the guideline levels set out in the MTFS for 31 March 2007 and future years.

## Pensions fund deficit

In common with other authorities, the Council's pension liability has increased from £9.7m at 31 March 2004 to £19.2m at 31 March 2005. This increase is a result of the change in estimating the future liabilities of the pension fund, as required by the guidance contained in the statement of recommended practice. The rate of employer's contribution to the fund is being increased, following the Actuarial valuation carried out at 31 March 2004, to reduce the liability over a number of years. This will place increased pressure on revenue budgets which will add £0.125m to the 2006/07 budget. This has been recognised in the medium term financial strategy.

## Income collection and arrears

Council tax (98.2%) and non-domestic rates (98.9%) collection levels remain high and are in the top quartile of all district councils.

## Systems of internal financial control

In considering the Council's systems of internal financial control we work closely with internal audit. We review internal audit every year and found that we could rely on their work and that they considered relevant controls within key financial systems.

During 2004/05 the Council reviewed its corporate governance arrangements against the recommended CIPFA/SOLACE good practice framework and a Local Code of Corporate Governance was approved by the Council on 21 February 2005. An action plan arising from the review was also approved. Responsibility for implementing, monitoring and reviewing the operation of the code has been delegated to David Crook (Policy Director) and an annual report will be made to Members on the operation of the code.

Governance arrangements have been strengthened during 2005 through the implementation of a number of actions arising from the review carried out last year. The Council has established an Audit Committee with overall responsibility for ensuring that the Council's corporate governance arrangements are adequate and operating effectively in practice.

The Council has also set up a Risk Management Group to oversee progress in implementing measures to ensure the concept of risk management is embedded throughout the organisation. A work programme has been developed to ensure that actions are implemented.

The governance action plan is currently being reviewed and updated.

## **Standards of financial conduct and the prevention and detection of fraud and corruption**

Based on our work to date, we have not identified any significant weaknesses in your arrangements to prevent and detect fraud and corruption.

## **Legality of transactions**

Based on our work to date, we have not identified any significant weaknesses in the framework established by the Council for ensuring the legality of its significant financial transactions.

## Use of resources judgements

The use of resources assessment is a new assessment which focuses on financial management but links to the strategic management of the authority. It looks at how the financial management is integrated with strategy and corporate management, supports Council priorities and delivers value for money. It will be carried out annually, as part of each council's external audit.

We have assessed the Council's arrangements in five areas.

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**Table 3 Council's arrangements**

Overall Salisbury has good arrangements in place

Element	Assessment
Financial reporting	2 out of 4
Financial management	3 out of 4
Financial standing	2 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
Overall	3 out of 4

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

In reaching these judgements we have drawn on the accounts and governance work that has already been completed and supplemented this with a review against specified Key Lines of Enquiry, which set out a wide range of criteria.

Overall we concluded that the Council was performing well and was consistently above the minimum requirements in many areas. An action plan is currently being developed to consider further the improvement areas identified in our recent Use of Resources report.

## Other work

### Grant claims

In accordance with Strategic Regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims. The main focus of our work on grant claims at Salisbury is the work we do to certify the housing benefit grant claim. We are currently working on this claim and are following recent guidance issued by the Audit Commission aimed at reducing our input. Our ability to reduce our work depends on the adequacy of the Council's control environment.

### National Fraud Initiative

In 2004/05 the Council took part in the Audit Commission's National Fraud Initiative (NFI). The initiative, which is undertaken every two years, aims to help identify and reduce fraud by bringing together data from local authorities, NHS bodies, government departments and other agencies, to detect a wide range of frauds against the public sector. These include frauds involving housing benefits, pensions, tenancy, payroll fraud and right to buy scheme. Additional pilot work is being undertaken to further extend the scope of the initiative.

The Council provided the required data to the Audit Commission and allocated appropriate resources and priority to processing the resulting matches. Although there were few significant matches for follow up by the Authority, one successful prosecution was brought reclaiming over £4,000 for the Council. A number of other cases are currently being investigated. The appropriate returns to the Commission have been made and an update should be submitted once the work in hand has been concluded. The exercise provides the Council with a degree of assurance about its arrangements for the prevention and detection of fraud and corruption.

### Voluntary Improvement Work

We carried out a review of the Council's proposals for a new office, under section 35 of the Audit Commission Act 1998. The purpose of the review was to assess the Council's approach to planning the project and establish whether it had put in place sound processes and mechanisms to demonstrate value for money.

We found that the Council has a robust basis for the need to centralise its offices and has fully explored the various options available to it. The Council has made appropriate use of external consultants to inform its decisions on the development of the scheme and the project is being managed through a clearly

defined project structure with key roles, accountabilities and reporting lines. The Council has also identified the funding sources necessary for the project and is maintaining tight financial control on the cost of the project to date.

The review identified areas the Council can develop to help ensure that the scheme delivers best value, for example there is scope to achieve greater efficiency in the use of space. There will also be the opportunity, at the procurement of the construction stage of the project, for the Council to adopt a procurement route that demonstrates the principles of achieving best value.

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## Looking forwards

### Future audit and inspection work

We have an agreed plan for 2005/06 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2005/06 accounts, will be reported in next year's Annual Letter.

We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the Council. We will continue with this approach when planning our programme of work for 2006/07. We will seek to reconsider, with you, your improvement priorities and develop an agreed programme by 31 March 2006. We will continue to work with other inspectorates and regulators to develop a co-ordinated approach to regulation.

### Revision to the Code of Audit Practice

The statutory requirements governing our audit work, are contained in:

- the Audit Commission Act 1998; and
- the Code of Audit Practice (the Code).

The Code has been revised with effect from 1 April 2005. Further details are included in our Audit Plan which has been agreed with officers in May 2005. The key changes include:

- the requirement to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources; and
- a clearer focus on overall financial and performance management arrangements.

### A new CPA framework

The Audit Commission is currently considering the results of the consultation on the proposals for revising the CPA framework for District Council's. The revised framework will be published in the early part of 2006 with implementation from April 2006.

## Closing remarks

This letter has been discussed and agreed with Management Team. A copy of the letter will be presented to the Audit Committee on 4 April 2006.

The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

## Availability of this letter

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.

Brian Bethell

District Auditor

Melanie Watson

Relationship Manager

31 March 2006

# Appendix 1 – Background to this letter

## The purpose of this letter

- 1 This is our Audit and Inspection 'Annual Letter' for members which incorporates the Annual Audit Letter for 2004/05, which is presented by the Council's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Council.

We have issued separate reports during the year setting out the findings and conclusions from the specific elements of our programme. These reports are listed at Appendix 2 for information.

The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.

Appendix 3 provides information about the fee charged for our audit and inspections.

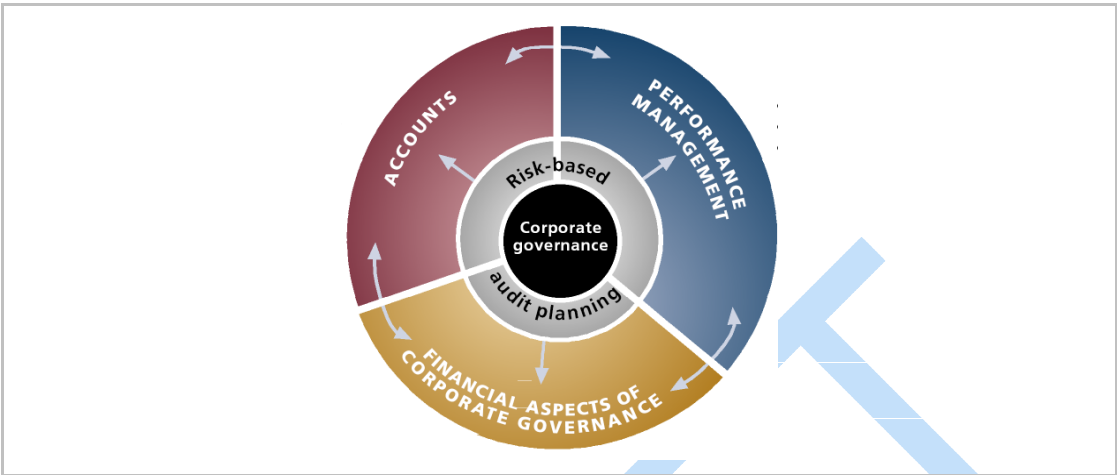
## Audit objectives

Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.

Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Figure 1.

**Figure 2 Code of Audit Practice**

Code of practice responsibilities



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Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as shown below.

### **Accounts**

- Opinion.

### **Financial aspects of corporate governance**

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct and the prevention and detection of fraud and corruption.
- Legality of transactions.

### **Performance management**

- Use of resources.
- Performance information.
- Best value performance plan.

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## Appendix 2 – Audit reports issued

**Table 4**

<b>Report title</b>	<b>Date issued</b>
Audit Plan 2005/06	May 2005
Review of Capital Programme Management	February 2005
Review of Proposals for a New Office	August 2005
Customer Focus Inspection	October 2005
BVPP statutory report	October 2005
BVPI summary report	November 2005
Procurement - progress review	November 2005
Regularity report	December 2005
Interim Annual Audit and Inspection Letter	December 2005
Use of Resources Report	March 2006
Final Annual Audit and Inspection Letter	March 2006

## Appendix 3 – Audit fee

**Table 5 Audit fee update**

<b>Audit area</b>	<b>Plan 2004/05</b>	<b>Actual 2004/05</b>
Accounts	28,380	28,380
Financial aspects of corporate governance	8,478	8,478
Performance		
Improvement	28,231	28,231
Assessment	9,157	9,157
Use of resources	21,584	21,584
<b>Total Code of Audit Practice fee</b>	<b>95,830</b>	<b>95,830</b>
Additional voluntary work (under section 35)	3,800	3,800
<b>Total</b>	<b>99,630</b>	<b>99,630</b>

### Inspection fee update

The full year inspection fee is £9,157. The work reported in this Audit and Inspection Letter has been funded by an element of the fee covering 2004/05 and by an element of the fee covering 2005/06. In both years the actual fee will be in line with that planned.

# **Use of Resources Audit Score Feedback**

**Salisbury District Council**

**Audit 2005/2006**



<b>Document Control</b>	
Author	Peter Brown
Filename	SDC - UoR Audit Score Feedback

### **Status of our reports to the Trust/Council**

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any director/member or officer in their individual capacity, or to any third party.

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

# Contents

<b>Introduction</b>	<b>4</b>
<b>Summary scores for each theme</b>	<b>5</b>
<b>Theme summaries</b>	<b>6</b>
Financial reporting	6
Financial management	7
Financial standing	8
Internal control	9
Value for money	10

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## Introduction

The annual Use of Resources (UoR) assessment evaluates how well councils manage and use their financial resources. It is a more stringent test than the auditor scored judgements that formed part of the comprehensive performance assessment (CPA) framework up until 2004. The scope of the assessment has also been widened.

The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the council's priorities and improve services, covering five themes.

Previously, 'adequate arrangements' were sufficient to score 3, but under the new approach meeting 'adequate performance' will score 2. Scoring is based on the following scale:

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

The overall score for Use of Resources will be reported to the Council by the Audit Commission on 13 March 2006. The scores for Salisbury DC for the five themes are outlined overleaf.

## Summary scores for each theme

Key Lines of Enquiry (KLoE)	Score
<b>Financial Reporting</b>	<b>2</b>
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	2
1.2 The Council promotes external accountability.	2
<b>Financial Management</b>	<b>3</b>
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3
2.2 The Council manages performance against budgets.	3
2.3 The Council manages its asset base.	3
<b>Financial Standing</b>	<b>2</b>
3.1 The Council manages its spending within the available resources.	2
<b>Internal Control</b>	<b>3</b>
4.1 The Council manages its significant business risks.	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3
<b>Value for Money</b>	<b>3</b>
5.1 The Council currently achieves good value for money.	3
5.2 The Council manages and improves value for money.	3

## Theme summaries

The key findings and conclusions for each of the five themes are summarised below.

### Financial reporting

<b>FINANCIAL REPORTING</b> <b>Overall score 2</b>	
<b>Key findings and conclusions</b>	
<p>Accounts produced earlier than statutory deadlines for a number of years, no material errors identified and unqualified opinion issued. Clear closedown timetable, experienced finance section and good working papers. Scope to improve the covering report that accompanies the statement of accounts and promote external accountability through consultation and preparation of summary accounts for 2005/06..</p>	
<b>Improvements needed to move to next level</b>	
<p>KLOE 1.1 The council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>Expand the report accompanying the statement of accounts to:</p> <ul style="list-style-type: none"> <li>• provide interpretation of the accounts</li> <li>• highlight key issues for members.</li> </ul> <p>Evidence of review and challenge by members prior to approval needs to be minuted.</p> <p>Working papers - not yet exemplary. Scope to improve analytical review and explanations of variances upfront.</p> <p>Ensure only trifling errors.</p>
<p>KLOE 1.2 The council promotes external accountability.</p>	<p>Consult with a range of stakeholders to establish their requirements in respect of the publication of summary accounts (that are accessible and easily understood by members of the public) or an annual report.</p> <p>Ensure that published accounts and annual audit and inspection letter are more easily accessible on the website.</p>

## Financial management

<b>FINANCIAL MANAGEMENT</b> <b>Overall score 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council has a good record of sound financial management. The medium term financial strategy is clearly linked to the Council's aims and priorities. Arrangements for setting budgets, and monitoring performance against them, are strong. Budget holders, senior officers and members are involved in the process at all stages. Improvements have been made to the arrangements for managing the capital programme. The Council's asset management plan and capital strategy are reviewed and updated annually and performance measures are being developed to help ensure that the asset base is managed effectively.</p>	
<b>Improvements needed to move to next level</b>	
<p>KLOE 2.1 The council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p>	<p>The MTFS needs to be developed to include the following:</p> <ul style="list-style-type: none"> <li>• sensitivity analysis to identify changes in some of the assumptions made</li> <li>• joint plans agreed with partners and stakeholders</li> <li>• cash flow forecasts and balance sheets over three years.</li> </ul>
<p>KLOE 2.2 The council manages performance against budgets.</p>	<p>Profile savings and efficiency gains over the year and develop reporting to members.</p> <p>Prepare quarterly financial monitoring reports to members on a fully accrued basis.</p> <p>Carry out a regular review of the performance of partnerships.</p>
<p>KLOE 2.3 The council manages its asset base.</p>	<p>Continue to develop local performance measures in relation to assets, and link to corporate objectives.</p>

## Financial standing

<b>FINANCIAL STANDING</b> <b>Overall score 2</b>	
<b>Key findings and conclusions</b>	
<p>The Council has a history of managing its spending within budgets and the general fund balance has been maintained at the target level set out in the medium term financial strategy (MTFS). There are targets for reserves and balances, which are referred to in budget and other reports, but these are not clearly set out in the MTFS.</p>	
<b>Improvements needed to move to next level</b>	
<p>KLOE 3.1 The council manages its spending within the available resources.</p>	<p>Scope to clarify target levels for all reserves and balances in the MTFS, and demonstrate that meeting these targets.</p>

## Internal control

### INTERNAL CONTROL

Overall score 3

#### Key findings and conclusions

The Council is strong on governance arrangements. The Council reviewed its governance arrangements against the CIPFA/SOLACE good practice framework during 2004 and a Local Code of Governance was adopted in December 2004. This included an action plan of areas for development and these have been taken forward by the Risk Management Group. Risk management is an integral part of the corporate planning process and there is a clear corporate process for preparing and approving the Statement of Internal Control. The Council has strengthened its arrangements at member level through the establishment of an Audit Committee with a clear remit for all governance issues. The Council actively promotes probity and propriety in the conduct of its business.

#### Improvements needed to move to next level

KLOE 4.1 The council manages its significant business risks.

Risk awareness training for members and other appropriate staff.

Regular reports to Audit Committee on risk management issues (in hand)

Assurance from partnerships on management of risks needs to be embedded in the Council's existing process.

KLOE 4.2 The council has arrangements in place to maintain a sound system of internal control.

Embed member arrangements, including appropriate training.

Ensure key policies, regulations and procedure manuals are reviewed on a regular basis, include in statements of assurance provided by service unit heads.

### INTERNAL CONTROL

Overall score 3

KLOE 4.3 The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.

Communicate whistle-blowing policy to those parties contracting with the Council.

Scope for further training on governance issues, ethics and risk management, for all staff.



## Value for money

<b>VALUE FOR MONEY</b> <b>Overall score 3</b>	
<b>Key findings and conclusions</b>	
<p>Salisbury is a relatively low spending council per head of population. High performance is achieved across a range of priority services whilst costs remain generally low compared to others. Areas of higher spending are in line with stated priorities. Resident and tourist satisfaction with council services is high. The Council's self assessment demonstrated that it has clear information on its costs and how these compare to others, and recognises where future improvements are needed in order to provide VFM.</p> <p>The council regularly benchmarks its costs and the quality of services achieved. This information is used by Councillors and managers to review and challenge VFM. Targets are applied in order to achieve VFM and efficiency savings can be demonstrated that exceed the Government's target of 2.5 percent gains per year. Procurement is being strengthened and there are good examples of collaborative procurement and partnership working in order to achieve efficiency savings and improve services.</p> <p>The Council is very self aware of the areas which it needs to address and these are well documented in its Corporate Improvement Plan and Service Plans.</p>	
<b>Improvements needed to move to next level</b>	
KLOE 5.1 The council currently achieves good value for money.	Implement the recommendations made in the Customer Focus Inspection and the Capital Programme Review  Continue to demonstrate effective outcomes from partnership working.
KLOE 5.2 The council manages and improves value for money.	Demonstrate improvements arising the embedding of VFM in to the Medium Term Financial Strategy.  Demonstrate continued improvements to corporate procurement. In particular implement the recommendations made in the Audit Commission reports on procurement.