

## Audit and Inspection Annual Letter 2003

# Shepway District Council

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- Auditor's Statutory Report on the Best Value Performance Plan

<b>Reference:</b>	sev09sh00603 AAL FINAL
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<b>Date:</b>	December 2003

## Key messages

### Performance Management

*The council is working to improve its performance management processes and to create a supportive culture. The council's new Procurement Strategy contains many good practice examples, and the council has now achieved a 'good' rating from central government for its capital strategy and asset management plan. Progress has been made in tackling the issues of a blame culture and addressing concerns of bullying/harassment, but more work is planned on Member training and protocols and the IDeA Charter of Member Development. Further work is also required to link the performance management system with the Community Strategy and ensure the council's aims and objectives are translated into challenging targets at a service level.*

*The quality of data collection needs to improve. Missing targets within the Best Value Performance Plan resulted in a qualified opinion.*

*There is evidence that service delivery continues to improve. Comparative performance information shows an improving trend in service performance from 2001/02 and Housing Inspectors have re-assessed Shepway's Homelessness and Housing Allocations service as one star, although with uncertain prospects for improvement. Inspectors also judged the Opportunity and Regeneration service to be two star, but with uncertain prospects for improvement.*

### Financial Aspects of Corporate Governance

#### Systems of internal financial control

*The council has appropriate arrangements to satisfy itself that its systems of internal financial control are both adequate and effective. These systems have been enhanced by recently introduced risk management arrangements. Improved communication to Members of internal audit's work has also been agreed.*

### Financial Standing

*The council's financial standing is adequate but it faces financial pressures. Work is underway to bridge a potential General Fund overspend of £700,000 in 2003/04. Planning for efficiency savings in the medium term should be easier when the Council agrees a medium term financial plan in December 2003. NNDR and council tax collection rates are at their highest ever levels, but council tax collection rates remain below national and local averages.*

### Accounts

*The financial statements required a number of changes to improve the quality of presentation of the accounts and the detail within the supporting notes. We gave an unqualified opinion on the financial statements in December.*

## The purpose of this letter

This is our first joint audit and inspection 'Annual Letter' to Members summarising the conclusions and significant issues arising from our 2002/03 audit and inspection programme and comments on other current issues.

Earlier this year, the Audit Commission appointed a Relationship Manager to each council. The Relationship Manager is the Commission's primary point of contact with you and is also the interface between the Commission and other inspectorates, Government Office and other key stakeholders. In view of this change this letter is presented as a Relationship Management Report and Annual Letter.

We have issued separate reports during the year having completed specific aspects of our programme. These reports are listed at Appendix 1 for information.

Auditor's responsibilities are summarised in the Audit Commission's statement of key responsibilities of auditors. The responsibilities of Audit Commission Inspectors are detailed in section 10 of the Local Government Act 1999. What we say in this letter should be viewed in the context of that more formal background.

## Background to the audit and inspection programme

The demand on the council to respond to the challenges of various national and local issues continues. Issues facing the council this year include:

- implementing a recovery action plan following the Housing Inspectorate's assessment of the council's Homelessness and Housing Allocations service as one of the worst in the country
- implementing the Benefit Fraud Inspectorate's recommendations following a Best Value Inspection in early 2002
- progressing developments for improvement in the district through schemes such as the Creative Quarter regeneration project and 'Chalk and Channel Way' cycle routes
- adopting an improved and innovative Recycling Strategy
- development of the Local Strategic Partnership
- addressing a culture of blame and bullying.

The council is also preparing for the forthcoming Comprehensive Performance Assessment (CPA). The assessment of all district councils is being carried out on a phased basis over a two year period. The council's overall performance on corporate issues and services will be formally assessed as part of the CPA and our audit findings will form part of this.

## Objectives of audit and inspection

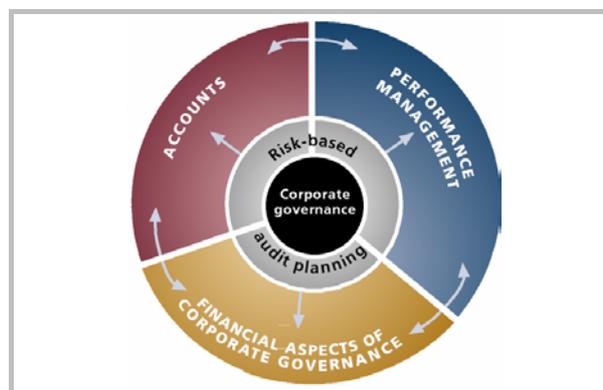
### Audit

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 Exhibit 1.

#### EXHIBIT 1

#### The three main elements of our audit objectives



#### Accounts

- Opinion.

#### Financial aspects of corporate governance

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

#### Performance management

- Use of resources.
- Performance information.
- Best Value Performance Plan.

## Inspection

Inspection work is based around section 10 of the Local Government Act 1999, which requires us to carry out inspections and deliver reports that will:

- enable the council and the public to judge whether best value is being delivered
- enable the Council to assess how well it is doing
- enable the Government to assess how well its policies are being implemented
- identify failing services where remedial action may be necessary.

## Performance Management

*The council is working to improve its performance management processes. Housing Inspectors have re-assessed Shepway's Homelessness and Housing Allocations service as fair (one star), although with uncertain prospects for improvement. Inspectors also judged the Opportunity and Regeneration service to be good (two star), but with uncertain prospects for improvement. The council's new Procurement Strategy contains many good practice examples, and the council has now achieved a 'good' rating from central government for its capital strategy and asset management plan. The council has made progress in tackling the issues of a blame culture and addressing concerns of bullying/harassment. More work is planned in this area, such as adopting the IDeA Charter of Member Development and a draft action plan on Member training and protocols.*

*Further work is required to link the performance management system with the Community Strategy and ensure the council's aims and objectives are translated into challenging targets at a service level.*

*Comparative performance information shows an improving trend in service performance from 2001/02.*

## Introduction

Performance management, at its simplest is about what an organisation does to achieve its aims. This includes systems and processes which ensure that:

- vision and aims are set and translated into corporate objectives and targets
- corporate objectives and targets are cascaded to services, teams and individuals
- resources are provided to carry out action plans which will deliver objectives to target
- relevant information is collected and monitored to track performance and action is taken where poor performance is identified
- past performance is reviewed to identify what went well or badly and what lessons can be learnt to plan for future improvement.

In essence, effective performance management also requires a supportive culture and behaviours as well as good systems and processes.

## Member/Officer relationships

Over the past two years work by the Audit Commission and the IDeA identified and reported on poor working relationships between some Members and senior officers and evidence of a blame and bullying culture at the council. In January 2003, at an informal members' briefing, we emphasised the seriousness of these weaknesses, particularly given the acknowledged importance of an authority's corporate centre on effective service delivery. We undertook to assess progress made by the Council after six months.

The council employed INLOGOV to provide an independent assessment of Member/officer relationships earlier in the spring of 2003. To complement their work we devised a questionnaire for Members and officers, using our 'voting' technology to provide evidence on progress made by the council.

Our main conclusion is that the council has made progress in tackling the issues of a blame culture and addressing concerns of bullying/harassment, but the surveys reveal more work is needed. This is not surprising given the nature of these issues and the council is aware of this. The influx of 16 new members and the change in political control is one aspect that has contributed to the improvement that has been made. Generally, there are a lot of positive messages emerging from the surveys and it is clear that Shepway is moving in the right direction:

- nearly 75% of Members and officers do not think a blame culture currently exists at Shepway
- 75% of members behave as if they trust officers and have faith in their abilities
- 75% of officers are encouraged to be innovative in their work
- nearly 90% of officers disagreed with the statement 'There is currently a culture of bullying/harassment of officers at Shepway'.

The survey did however highlight areas where more work is required, these include:

- officers are being cautious in their dealings with Members and are waiting to be convinced that the culture has changed
- staff will judge the council's commitment to learn rather than blame from the first real test of failure
- there are some 'grey areas' around the boundaries of the interface between Members and officers
- Members do not feel they are treated with respect by their fellow Members.

The focus for the future should be to ensure that the key building blocks are in place to prevent a reoccurrence of these problems.

### **Democratic Renewal follow-up**

In 2000/01 we completed an audit of the Council's new political arrangements. As part of this year's audit we examined progress against recommendations made in 2001.

We are pleased to note improvements have been made to the scrutiny function and changes have been made to the working of Cabinet, introducing collective decision making.

We have made further suggestions to improve the conduct, impact and effectiveness of Overview and Scrutiny including greater co-operation between Scrutiny and Cabinet. We also identified the need for further training in this area, particularly as many councillors (35%) are new to the Authority following the May 2003 elections.

### **Performance systems**

During the year we reviewed the council's overall arrangements for monitoring performance and ensuring effective service delivery. Shepway's overall aims and objectives (the 'Vision') and Best Value Performance Plan (BVPP) are included in one document, The Shepway Plan.

The council has a well established performance management system which will be further improved by clearer links from the Community Strategy to operational and individual targets. The council has a well established management information system publishing business units' performance information on a quarterly basis to the Management Team and Members. It is planning to further enhance this by developing on-line access to its Management Information Reports (MIRs).

A performance system cannot be effective without accurate information. Our audit of performance indicators resulted in reservations being expressed on 18 of the 45 indicators published in the BVPP, a 40% error rate. In the main, these arose because the definitions prescribed by the Commission were not followed, although some resulted from a lack of documentation to support the calculations. More than 10% of the required targets were also missing from the published BVPP. The council took the option of re-publishing the performance information contained within the Best Value Performance Plan but too many missing targets resulted in a qualified opinion on the BVPP. Weaknesses in the accuracy of this information have been recognised and Internal Audit have recently been tasked with implementing quality control procedures to ensure performance information is accurate and complete and that any targets set are challenging and robust.

## Service Performance

In last year's Audit Letter we compared the council's performance to other districts, using data supplied by the ODPM. Exhibit 2 continues this theme using the 2002/03 outturn data of the Council compared to performance in 2001/02. Using indicators that are directly comparable provides a valuable picture of the council's performance over the last year. The main areas showing an improvement in reported performance are:

- Invoices paid on time
- % of business rates collected
- % of council tax collected
- Processing of housing benefit claims
- recycling
- speed of determining planning applications
- standard searches carried out in ten working days.

The main areas showing deterioration in reported performance are:

- sickness absence

### EXHIBIT 2 PERFORMANCE INDICATORS – MOVEMENTS BETWEEN 2001/02 AND 2002/03

#### Performance has improved in 2002/03

Status of indicators	Number of indicators
Improved	14
No change	3
Worsened	5

Source: BVPI Data

The PIs only give a broad indication of performance, and it is important that the Authority uses the PI data to focus attention on the key areas for service improvement.

## Procurement

Following a recommendation made in the 2001/02 Annual Audit Letter, the council invited the IDeA to assist it produce a corporate procurement strategy. This work took place during the summer of 2002 and the document was approved by the council in October 2002. We agreed to assess progress made in implementing the new strategy.

The Corporate Procurement Strategy is complemented by a Code of Practice that provides practical guidance for Members and officers in how the strategy should be implemented at the operational level.

The strong corporate lead has been reinforced by the creation of a Corporate Procurement Group (CPG) with the responsibility for implementing the 12-point action plan contained in the strategy document and overseeing the work of Project Boards that have been set up to manage a number of strategic procurement operations. The CPG is chaired by a Strategic Director who is also the council's officer-level e-champion and two officers within his directorate have specific responsibility for assisting the development of the procurement function across the council's activities.

The Leader of the council has confirmed that procurement is seen as a high-profile activity and central to future council policy-making. This view is also supported by the Cabinet Member with responsibility for resources, which includes procurement, together with e-government, Best Value, performance review and budgets.

These developments, set in the context of the council's emergence from a period where progress was persistently hampered by a 'blame culture', are extremely encouraging and place it well ahead of many of its peers in terms of the development of a sound corporate procurement framework. Nevertheless, as officers and Members well appreciate, much still remains to be done to implement the strategy in full. Key areas for development include:

- Providing training for Members
- Review performance of the CPG
- Set up a comprehensive centralised contract register.

## Inspections

In early 2002 the council's Homelessness and Housing Allocations service was assessed as a poor service with no prospects for improvement. The council responded positively and a re-inspection in the autumn of 2003 identified improvements in the housing service, raising the assessment to one star, although prospects for improvement were judged to be uncertain. Inspectors found the homeless service had clear aims and links to the council's corporate themes. Allocations to council homes and nominations to housing associations were made quickly. Key improvement areas are:

- identify clear aims and objectives for the allocations service.
- develop a joined up, co-ordinated approach to the provision of housing advice within the council or with partners.

In March 2003, the Opportunity and Regeneration service was judged to be good, but with uncertain prospects for improvement. The council has an effective and co-ordinated approach to regenerating Shepway, and is leading on several major projects to regenerate parts of Folkestone's town centre, sea front and harbour. Key areas for improvement are:

- develop a comprehensive corporate regeneration strategy
- make progress in regenerating poor quality private sector housing
- improve consultation with residents and other stakeholders.

## Asset Management follow up

In 1999/2000 we completed an audit of the council's arrangements for asset management. This year we examined progress against the agreed action plan.

Some progress has been made since 2000, but less than half of the recommendations have been achieved. The council has prepared a Capital Strategy and Asset Management Plan, which initially received a 'satisfactory' rating from the Government Office. The Plan was re-submitted and received a 'good' rating.

There is a lack of a corporate steer for property issues with maintenance budgets and priorities being set by business units and no strategy or targets set for the use of non-operational property. Councillors' and users' priorities need to be established and a strategy developed to ensure these priorities are delivered.

We have discussed an action plan with officers to secure further progress in this area.

## Comprehensive performance assessment (CPA)

Comprehensive Performance Assessment (CPA) is about helping councils deliver better services to local people as part of the wider improvement agenda set out in the Local Government White Paper *Strong Local Leadership – Quality Public Services*. CPA has been developed to encompass the role of district councils in developing and contributing to sustainable social and economic environments for their communities and local area.

The comprehensive performance assessment of the Kent districts is due to commence in the week beginning 29 March 2004. The main elements of the district councils CPA approach are:

- council self assessment
- accredited peer challenge to inform the self assessment
- a corporate assessment
- diagnostic assessments of the council's management of public space and progress in meeting the decent homes standard or contribution to the management of housing market
- Benefit Fraud Inspectorate's assessment of benefit services
- Appointed auditor assessments of performance on each of the main elements of the Code of Audit Practice
- Audited performance indicators, inspection reports and plan assessments.

## Financial aspects of corporate governance

### Financial standing

*The council's financial standing is adequate but it faces financial pressures. Work is underway to bridge a potential General Fund overspend of £700,000 in 2003/04. Planning for efficiency savings in the medium term should be easier when the council agrees a medium term financial plan in December 2003. NNDR and council tax collection rates are at their highest ever levels, but council tax collection rates remain below national and local averages.*

Net expenditure for 2002/03 was £179k less than the revised budget figure of £15.5 million. General Fund reserves at 31 March 2003 were £1.2 million, of which £1 million was uncommitted while earmarked General Fund reserves were £3.1 million, of which £1.1 million remained uncommitted.

The budget for 2003/04 identified the need to save £1.2 million from revenue expenditure. Not all of these savings have been achieved and other financial pressures have occurred in the first six months of the year. The latest forecast for 2003/04 indicates that without remedial action the General Fund will overspend the budget by £700,000. The largest overspend is in treasury management where the council has needed to increase borrowings to replace reducing reserves and low interest rates have continued to affect investment income. Cabinet is currently working with senior officers to bridge this potential overspend. Identifying financial savings year on year is difficult and time consuming, and can result in piecemeal solutions. To ensure robust decisions over service design and provision are made, it is important to consider the medium term financial outlook. The council is aware of this and has been working on a medium term financial plan over the last year. Officers expect to present the plan for members' consideration in December 2003.

Capital expenditure of £10.3 million in 2002/03 was £2.3 million less than planned. The under spend was caused by delays in planned expenditure, notably the Leas Cliff Hall and Royal Military Canal developments and on HIPS schemes. Capital expenditure for 2003/04 is projected to be £500,000 less than the £10 million capital programme, although the Royal Military Canal project may overspend by £100,000. Officers are investigating reasons for the potential overspend.

### Housing Revenue Account

The HRA made a deficit of £0.2 million in 2002/03 compared to a budgeted deficit of £0.9 million (allowing for use of reserves) due in part to lower than anticipated repair costs and higher than anticipated capital resources. The accumulated surplus at 31 March 2003 was £4.4 million, although this is predicted to fall to £1.3 million by the end of 2003/04.

### Tax collection rates

The council's performance in collecting council tax has improved substantially and is now at its highest ever level, but is still below both national and local average. The collection of business rates is also at its highest level and is well above the national average (Exhibit 3).

#### EXHIBIT 3 COUNCIL TAX COLLECTION RATES

##### Shepway's collection rate has improved.

	2001/02 (%)	2002/03 (%)
Shepway DC	96.1	96.8
Average – Shire Districts	97.4	97.6
Average – Kent Districts	97.1	97.2

Source: ODPM website

#### NNDR COLLECTION RATES

##### Shepway's collection rate remains above average, and has improved in 2002/03

	2001/02 (%)	2002/03 (%)
Shepway DC	98.6	99.0
Average – Shire Districts	98.2	98.5
Average – Kent Districts	97.7	98.1

Source: ODPM website

## Systems of internal financial control

*The council has appropriate arrangements to satisfy itself that its systems of internal financial control are both adequate and effective. These systems have been enhanced by recently introduced risk management arrangements. Improved communication to Members of internal audit's work has also been agreed.*

In our report issued to the council in June 2003 we concluded that the arrangements for establishing and updating Standing Orders, Financial Regulations, a Scheme of Delegation and the Constitution were satisfactory. The council is also reviewing these arrangements in a general revision of the Constitution which is currently taking place.

We also found the arrangements for ensuring systems of internal financial control to be sound. Our work in this area has relied upon the work completed by Internal Audit. As in previous years, we rely on Internal Audit as far as possible, subject to a review of their performance. We concluded that the Internal Audit section continues to provide a good and effective service in meeting its statutory responsibilities. We commented on the lack of information on Internal Audit's activities available to Members and suggested more formal feedback (such as an Internal Audit Annual Report) should be made available to Members as part of the overall management information system. The Monitoring Officer has confirmed that this will be reflected in the revisions to the Constitution which are currently taking place.

The council has developed and adopted a strategy for managing risk following development work facilitated by Zurich. We are pleased to note that the council is now in the process of implementing this Strategy, although only at a corporate level to date. Work is now underway to establish a detailed risk assessment within each business unit and develop monitoring procedures for identified risks. We will assess how well Risk Management is incorporated in business unit plans during our next audit.

## Standards of financial conduct & prevention and detection of fraud and corruption

*The council has appropriate arrangements to maintain proper standards of financial conduct and to prevent and detect fraud and corruption.*

This year we completed a detailed risk assessment of the council's arrangements in respect of fraud and corruption. We identified no specific risk areas that had not been mitigated by the completed or planned work of Internal Audit. We will revisit this assessment as part of our planning of the 2004/05 audit.

### National Fraud Initiative

The National Fraud Initiative (NFI) is the Audit Commission's data matching exercise to help identify and reduce housing benefit fraud, occupational pension fraud, tenancy fraud and payroll fraud. The NFI is carried out every two years and during 2003 the council was provided with information indicating that there were a number of possible "hits" within the data submitted. The council has made good progress in following up these 'hits' although no savings have yet been identified.

## Legality of transactions

*The council has appropriate arrangements to secure the legality of transactions.*

The council's arrangements for securing the legality of its transactions include:

- arrangements to enable statutory officers to discharge their functions
- processes to identify and address new and emerging issues
- dissemination and training to officers and members where considered appropriate.

## Audit assurance work

### Accounts

*The financial statements required a number of changes to improve the quality of presentation of the accounts and the detail within the supporting notes. We gave an unqualified opinion on the financial statements in December.*

#### Core Process Review

To assess whether the council's financial statements are free from material misstatement we examined key systems that form the basis for the preparation of the accounts, namely:

- the main accounting system
- budgetary control processes
- year-end closedown systems

We concluded that, in general, the systems were operating effectively, and could be relied upon to produce financial statements free from material misstatement. However, we noted that full bank reconciliations were behind schedule due to long-term sick leave in the Accountancy unit and control account reconciliations had not been prepared during the year. We reported a number of minor areas of potential improvement that the council needs to action over the next year.

#### Reporting to the council

There is a new auditing standard which applies to the audit of your accounts - Statement of Auditing Standard (SAS) 610 'Reporting to those charged with governance'. This requires us to report issues arising from the audit, to members, (in your council's case the General Purposes Committee,) before we give the audit opinion.

In previous years we have discussed such issues with officers rather than members, but the SAS encourages openness and accountability by ensuring that members take responsibility for the council's accounts.

We reported to the General Purposes Committee under SAS 610 on 17 December 2003. The financial statements required a number of changes to improve the quality of presentation of the accounts and the detail within the supporting notes. The presentation of the accounts and compliance with CIPFA's statement of recommended practice (SORP) is becoming increasingly important as the Government moves towards Whole of Government Accounts.

We have prepared a detailed report setting out all our findings from the audit of the accounts. This report will be agreed with officers and will include items not significant enough to feature in the SAS610 report, but which nevertheless need to be corrected to ensure improvement in the accounts process next year.

## Other work

### Grant Claims

Although we audit many Grant Claims on behalf of Government Departments, our work at the council is dominated by our audits of:

- the Housing Benefit Subsidy claim.
- the Non-domestic Rates return
- Housing subsidy (HRA)

All three of these claims have been submitted for audit on time. The NNDR claim was audited and submitted to meet the ODPM deadline of 31 October 2003. For the remaining two claims, we plan to complete our work in advance of the relevant departments' deadline of the 31 December 2003.

## Audit and Inspection fees

The table below sets out our latest estimate of the actual fee for 2002/04 on the basis that work remains in progress, together with explanations where there are variances.

Members should note that in order to bring the Audit Commission financial year in line with local authorities, the current plan covers the period from November 2002 to March 2004. In this time we will deliver two statutory audits and two annual audit letters.

### EXHIBIT 4

#### Audit fee update

Audit area	Plan 2002/04	Anticipated actual 2002/04
Accounts	£56,300	£56,300
Financial aspects of corporate governance	£56,000	£56,000
Performance	£64,200	£64,200
TOTAL CODE OF AUDIT PRACTICE AUDIT FEE	£176,500	£176,500
Inspection (1)	£15,800	£15,800
Additional s35 work	£ 0	£ 0
Certification of grant claims (2)	£35,200	£35,200
TOTAL AUDIT FEE	£ 227,500	£227,500

(1) Inspection fees are net of ODPM grant received.

(2) The grant claim audit continues until the end of 2003 and the actual fee reported is our current estimate of the likely fee for the 2002/03 certification work.

## Future audit and inspection work

Our audit and inspection programme for 2003/04 is included in the Audit & Inspection Plan 2002-04 which was issued in March 2003. The key areas of audit work to be completed in 2003/04 are:

- improvement planning
- e-government

We will discuss the timetable for planning the 2004/05 audit and inspection programme, linked to your improvement priorities, with officers in 2004. Our future programmes will be structured across the following themes that help to clarify the purpose of our work:

- Assessment
- Improvement
- Assurance.

## Status of our Audit & Inspection Annual Letter

Our Annual Letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. The Letter is prepared by the Relationship Manager and appointed auditor and is addressed to Members and officers. It is prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.

## Closing remarks

This Letter has been discussed and agreed with leading Members and senior officers. A copy of the Letter will be provided to all Members and will be presented to the Cabinet in January 2004.

Finally, we would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the work. Our aim is to deliver a high standard of audit and inspection which makes a positive and practical contribution which supports the council's improvement agenda. We recognise the value of your co-operation and support.



Darren Wells

District Auditor



Stephen Mead

Relationship Manager

December 2003

**Audit and Inspection reports issued during 2002/03**

<b>Title</b>	<b>Date Issued</b>
Audit plan	March 2003
Opportunity & Regeneration Inspection	March 2003
Interim Audit report (CPR and FACG)	April 2003
Democratic Renewal	April 2003
Management Overview of Procurement	July 2003
Interim Audit Report (FACG)	July 2003
Housing Management Services Re-inspection	August 2003
Asset Management Follow Up	October 2003
Member/officer relationships	November 2003

## Auditor's Statutory Report on the Best Value Performance Plan

### Auditor's Report to Shepway District Council on its Best Value Performance Plan for 2003/04

#### Certificate

I certify that I have audited Shepway District Council's best value performance plan in accordance with section 7 of the Local Government Act 1999 (the Act) and the Audit Commission's Code of Audit Practice. I also had regard to supplementary guidance issued by the Audit Commission.

#### Respective Responsibilities of the Council and the Auditor

Under the Act the Council is required to prepare and publish a best value performance plan summarising the Council's assessments of its performance and position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council is responsible for the preparation of the plan and for the information and assessments set out within it. The Council is also responsible for establishing appropriate performance management and internal control systems from which the information and assessments in its plan are derived. The form and content of the best value performance plan are prescribed in section 6 of the Act and statutory guidance issued by the Government.

As the Council's auditor, I am required under section 7 of the Act to carry out an audit of the best value performance plan, to certify that I have done so, and:

- to report whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Act and statutory guidance and, where appropriate, recommending how the plan should be amended so as to accord with statutory requirements;
- to recommend:
  - where appropriate, procedures to be followed in relation to the plan
  - whether the Audit Commission should carry out a best value inspection of the Council/Authority under section 10 of the Act
  - whether the Secretary of State should give a direction under section 15 of the Act.

#### Opinion

##### Basis of this opinion

For the purpose of forming my opinion whether the plan was prepared and published in accordance with the legislation and with regard to statutory guidance, I conducted my audit in accordance with the Audit Commission's Code of Audit Practice. In carrying out my audit work, I also had regard to supplementary guidance issued by the Audit Commission.

I planned and performed my work so as to obtain all the information and explanations, which I considered necessary in order to provide an opinion on whether the plan has been prepared and published in accordance with statutory requirements.

In giving my opinion I am not required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the Council. My work therefore comprised a review and assessment of the plan and, where appropriate, examination on a test basis of relevant evidence, sufficient to satisfy me that the plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the plan complied with the requirements of the legislation and statutory guidance.

Where I have qualified my audit opinion on the plan I am required to recommend how the plan should be amended so as to comply in all significant respects with the legislation and statutory guidance.

### **Opinion**

In my opinion, Shepway District Council has prepared and published its best value performance plan in all significant respects in accordance with section 6 of the Act and statutory guidance issued by the Government except that:

- more than 10% of best value performance indicators did not have the appropriate targets recorded for the past year and for the current and two subsequent years

I therefore recommend that the plan should be amended in these respects, for it to be in accordance with statutory requirements.

### **Recommendations on procedures followed in relation to the plan**

Where appropriate, I am required to recommend the procedures to be followed by the Council in relation to the plan.

### **Basis of recommendations**

For the purpose of making my recommendations, I conducted my audit in accordance with the Audit Commission's Code of Audit Practice. In carrying out my audit work, I also had regard to supplementary guidance issued by the Audit Commission.

I planned and performed my work so as to obtain all the information and explanations that I considered necessary in order to enable me to determine whether or not to make recommendations in this report on the matters that came to my attention during the audit. However, my work cannot be relied upon to identify every weakness or opportunity for improvement. In particular, it has not necessarily covered the same areas as a best value inspection.

For this purpose, my audit included a review and assessment, and where appropriate, examination on a test basis of evidence relevant to the adequacy of the systems set in place by the Council for collecting and recording specified performance information; and the testing of specific performance indicators.

### **Recommendations**

On the basis of my audit work, I consider that the matters set out below should be brought to your attention:

- quality control procedures should be introduced to ensure performance information is accurate and complete and challenging targets are set at a service level.

### **Recommendations on referral to the Audit Commission/ Secretary of State**

I am required each year to recommend whether, on the basis of my audit work, the Audit Commission should carry out a best value inspection of the Council or whether the Secretary of State should give a direction.

### **On the basis of my work:**

- I do not recommend that the Audit Commission should carry out a best value inspection of Shepway District Council under section 10 of the Act
- I do not recommend that the Secretary of State should give a direction under section 15 of the Act.

**Signature**



**December 2003**

\* delete as necessary