

Hyndburn Borough Council

Annual Audit and Inspection Letter

2004-05

RSM Robson Rhodes



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1 Executive Summary

Background

- 1.1 This Annual Audit and Inspection Letter for members summarises the conclusions and significant issues arising from our recent audit and inspection work at the Council, including the Use of Resources assessment recently carried out as part of our 2005-06 audit.
- 1.2 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 members or officers. They are 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.

Key messages

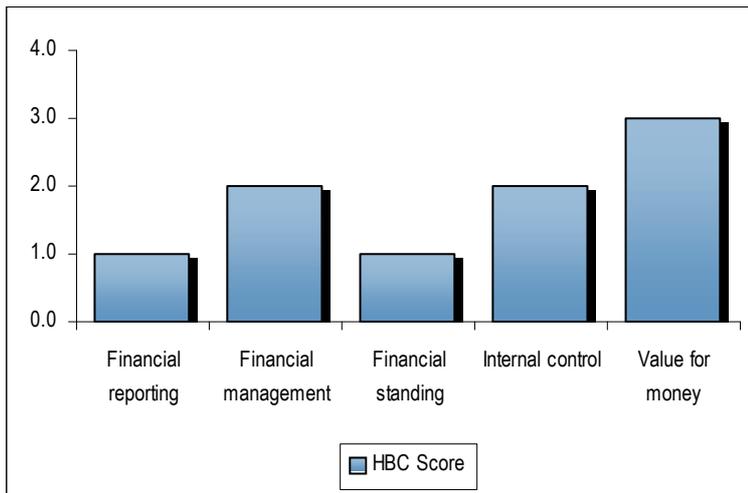
- 1.3 We identified a number of key issues for the Council in last year's Annual Audit and Inspection letter which included the need to:
- develop financial management arrangements and build up the level of reserves;
 - improve performance management at service level;
 - review closedown arrangements to ensure publication of the accounts by the statutory deadline; and
 - review reporting structures and the discharge of functions traditionally associated with an audit committee, in light of general governance developments including formal audit reporting on the accounts and development of the Statement on Internal Control.

We are pleased to report that, whilst these remain key areas for action, good progress has been made in a number of aspects of the Council's arrangements, in particular action taken to resolve the Council's financial difficulties.

- 1.4 We have recently completed the Council's CPA Use of Resources assessment which forms part of the work leading to our conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources. The chart below summarises the Council's assessment in each of the five areas. The Council's overall score, as determined by the Audit Commission, is 2, which equates to adequate performance overall.

1 Executive Summary

Exhibit One: The Council's Use of Resources scores



1.5 The principal findings from our 2004-05 audit and Use of Resources assessment are set out in the next section of this report. Key messages are summarised below:

Exhibit Two : Key messages for the Council

Area	Key messages
Financial Reporting and the accounts audit	We issued an unqualified opinion on the Council's accounts on 25 November 2005, a significant improvement on last year, but a month beyond the statutory deadline of 31 October 2005. Whilst there has been improvement in the accounts closedown process and quality of working papers presented to audit, the quality of the accounts and associated procedures need to be further improved to ensure the statutory deadline for publication of the 2005-06 accounts (30 September 2006) is achieved. The tighter deadline represents a significant challenge and we are working closely with the Council to agree ways of improving the 2005-06 accounts preparation and audit process.

Area	Key messages
Financial Management	<p>The Council has significantly improved its budget monitoring and financial management arrangements. There are good arrangements in place for revenue and capital budget setting, monitoring and control, and medium term financial planning is in development.</p> <p>Embedding medium term financial planning across the Council and re-establishing the Service Planning Framework will be key to improving the Council's arrangements in this area.</p> <p>Arrangements for the maintenance and management of assets are in place but to improve arrangements in this area, the Council will need to better link asset management and maintenance to medium term service and financial planning, and strengthen long term strategic planning for backlog maintenance and asset use.</p>
Financial Standing	<p>In recent years the Council has experienced significant pressures in keeping expenditure within budget. The Corporate Management Team has taken steps to improve budget monitoring and forecasting procedures and improvements in financial management and close monitoring have enabled the Council to make progress in addressing its reserves position. The Council's overall reserves position remains vulnerable, but achievement of the planned contribution to reserves in 2005-06 would strengthen considerably the Council's position and represent significant progress towards achieving an adequate reserves level overall.</p>
Internal Control	<p>The Council has well established internal control arrangements in place including a constitutional framework, a risk management policy and strategy, and procedures to promote good conduct and compliance with laws and regulations.</p> <p>The Audit Committee was established during the year and is developing well. It will be key to further strengthening the Council's governance arrangements going forward.</p> <p>Effectiveness of the Audit Committee should be reviewed against the recently published CIPFA guidance and the Statement on Internal Control (SIC) should be developed further, including ensuring that a full set of robust, evidence based, controls assurance statements are produced.</p>
Value for Money	<p>We have assessed the Council's performance in achieving value for money as better than average. This is demonstrated by improvement in over 50 per cent of key performance indicators since 2002/03, and improved services and cost reductions in some areas, for example rationalisation of Council accommodation, improved sickness absence, and good recycling performance.</p> <p>The Council has satisfactory and developing performance management arrangements in place, which have recently been strengthened by the establishment of the Performance Management Team, and ongoing development and implementation of the <i>PerformancePlus</i> system.</p> <p>The Council's arrangements for strategic planning are good, but arrangements at service level are less well developed. Further action is required to develop service plans linked to strategic and financial planning, and to maximise the effectiveness of the Performance Management Team's monitoring and challenge of value for money, including full implementation of the <i>PerformancePlus</i> system.</p>

1 Executive Summary

Action needed by the Council

1.6 The Council should:

- implement our SAS 610 report recommendations and the detailed Accounts Action Plan issued in December 2005 as a matter of priority. Implementation of these recommendations is critical to the Council improving arrangements over financial reporting and achieving the statutory deadline for publication of the 2005-06 accounts;
- continue its good progress in improving financial management arrangements, and build reserves to strengthen the Council's overall financial position;
- develop further its governance arrangements by reviewing the effectiveness of the Audit Committee, developing the Statement on Internal Control (SIC) framework, including ensuring that a full set of robust, evidence based, controls assurance statements are produced before the SIC is presented to the Audit Committee;
- develop performance management at service level through consistent application of the Service Planning Framework and full implementation of the *PerformancePlus* system. The service planning framework needs to be developed to integrate with the Council's medium term financial planning, risk management, HR and asset management plans.

Tom Keena
Audit Commission Relationship Manager

RSM Robson Rhodes LLP
Appointed Auditors

March 2006

2 Key findings

Introduction

- 2.1 We set out below in the key findings from our review of:
- the Council's 'direction of travel' which forms part of the Audit Commission's 2005 CPA assessment;
 - the Council's performance management arrangements, BVPP and performance indicators;
 - the Council's corporate governance arrangements, recently updated by the 2005-06 Use of Resources work undertaken to feed into the Council's CPA refresh;
 - the Council's 2004-05 grant claims.

Direction of Travel report

Summary

- 2.2 The Council is making significant progress in improving performance in many areas of its activities. It has made good progress in resolving its previous difficult financial position and is rationalising its use of premises and assets. Imaginative partnership working is delivering significant benefits for the community. There are however still some areas of service delivery where further improvements are necessary.

Progress in delivering improved performance

- 2.3 Analysis by the Audit Commission shows the Council has achieved improvement in over 50 per cent of key performance indicators since 2002/03:
- fifty two per cent of these key indicators are now in the better two quartiles of performance - however 19 per cent remain in the worst quartile;
 - of the 12 indicators highlighted at the time of CPA as being in the worst quartile, seven have improved with three moving into the upper two quartiles of performance.
- 2.4 Performance indicators for recycling, waste collection, housing management, planning, detection of benefit fraud, organisational capacity and staffing show either high levels of performance or improvement trends which are better than that those of comparative councils.
- 2.5 Recycling rates are increasing and the rate of reduction in household waste collected from residents is better than that of comparable councils. Residents' satisfaction with recycling is high and in the best quartile. Satisfaction with waste collection is 87 per cent although this is in the lowest quartile nationally.

2 Key findings

Direction of Travel report continued

Progress in developing improved capacity

- 2.6 Performance indicator analysis does not fully represent the range of improvement activities undertaken by the Council. Some of the Council's other improvement projects during the past year are shown below:
- a contact centre has been established;
 - a partnership for regeneration has been developed with Blackburn with Darwen Council leading to agreed future investment of over £6 million in transport to employment routes in the borough;
 - significant progress has been made with the Elevate housing market renewal scheme;
 - joint working with the local NHS LIFT project has established sites for two new health centres;
 - further partnership work with the local PCT has helped prioritise resources and promote joint working against shared priorities in relation to health inequalities, for example, in assisting residents to obtain heating and insulation funds as part of a "Keep warm, Keep safe" initiative;
 - partnership working with Blackburn with Darwen Council has been extended to noise nuisance monitoring and CCTV provision;
 - the council has recently received green flag awards for two of its parks;
 - the Investor in People accreditation has been renewed; and
 - the council has further developed its leadership programme, in partnership with other councils, for senior managers and councillors.
- 2.7 The Council works well in partnership with other East Lancashire district councils. Particularly successful is the work on consultation and community cohesion - which has recently won a Local Authorities Research and Intelligence Association award - and the development of a community database for more efficient analysis and profiling of quality of life indicators.
- 2.8 The budget deficit position has been addressed and the overall financial position of the Council is much improved. The Council is in the final stages of rationalising its use of assets with a significant reduction in the use of rented premises. It continues to play a leading role in the Local Strategic Partnership which has been positively assessed by Government Office North West in its recent review.

2 Key findings

Direction of Travel report continued

Reporting Performance continued

- 2.9 Other recent initiatives include:
- a targeted approach to dealing with fly-tipping sites, leading to much improved environments in several areas of the borough;
 - joint working with the police to increase the number of community support officers; and
 - an expansion of neighbourhood management staff through the use of Neighbourhood Renewal Funds and partnerships with housing associations.
- 2.10 The Council has a structured approach to monitoring its performance with a clear schedule for regular reporting to the Corporate Management Team and the Cabinet throughout the year. This reporting process is designed to cover progress against the Corporate Plan and quarterly reporting of Performance Indicators.
- 2.11 For services which are not performing well the Council operates a special measures scheme with monthly reporting of indicators and activities. This approach has led to improvements in waste management and is being used to help improve the benefits service. Although performance indicators for 2004/05 for benefits did not show any significant improvements, the latest figures from the Department for Work and Pensions (DWP) for the period April to September 2005 do show improvement in two of the three key areas.
- 2.12 The Council has recently established a performance management team to review performance reports and special measures issues prior to further consideration by the corporate management team and councillors. The purpose of the new team is to create a forum for more detailed analysis of performance issues and identify remedial actions where necessary. It also creates a clear framework aimed at strengthening the council's overall approach to performance management. Regular reporting to Cabinet forms part of the defined work plan for the team. The planned involvement and role of overview and scrutiny has been identified and a reporting timetable covering performance indicators, the corporate and performance plan and service plans is in the process of being agreed. During this transition period regular reporting to management team and cabinet on those services under special measures is continuing, although the planned half yearly reporting of service plans to the management team in October 2005 did not take place.
- 2.13 The Council is currently introducing an IT - based system to report on organisational performance and PIs and working in partnership with Blackburn with Darwen Council on the implementation of the system.

2 Key findings

Direction of Travel report continued

Areas for further attention and support

- 2.14 Whilst general service performance is improving, some areas of activity are not showing a positive picture. Nineteen per cent of the Council's key PIs are in the lower quartile. Annual Performance Indicators for the benefits service remain low although recent information from the Department for Work and Pensions for the first half of 2005/06 shows an improvement in processing times to above average performance. However the indicator on accuracy of processing has yet to show such a positive improvement. Resident satisfaction ratings for waste collection and cleanliness remain low in comparison with similar councils.

Performance Management, BVPP and Performance Indicators

BVPP and performance indicators

- 2.15 The Council's Corporate and Performance Plan serves as the statutory best value performance plan (BVPP), as well as being the Council's key strategic planning and performance monitoring document. We are required to undertake a compliance audit of the annual BVPP. We are pleased to report that the Council continues to produce a compliant document and we were able to issue an unqualified opinion.
- 2.16 We also perform an audit of a sample of the Council's best value performance indicators (BVPIs) and other indicators that feed into the Council's Comprehensive Performance Assessment to ensure that they have been prepared accurately and in accordance with the guidance set out by the Audit Commission.
- 2.17 For the second year in a row, we are pleased to report an improved position. The number of outturn 2004-05 BVPIs that required amendment or reporting points reduced from last year. We expressed only one reservation on the 2004-05 BVPIs. We did, however, identify some areas where there is scope to improve the systems in place for preparing and reporting specific indicators. A challenge for the Council going forward is to continually improve on the accuracy of its performance indicators.

Performance management arrangements

- 2.18 Our 2004-05 performance audit work identified some areas where the Council's performance management framework could be improved. As reported elsewhere in this letter, the Council is making progress in implementing our recommendations, particularly through implementation of the *PerformancePlus* system. Full implementation of the system, to include targets from departmental operational, Local Strategic Partnership and Local Area Agreement plans, should facilitate greater challenge of performance across all of the Council's key objectives.

2 Key findings

Performance Management, BVPP and performance indicators continued

- 2.19 Service planning remains a weakness. However, the newly established Performance Management Team, led by a cross-departmental team of officers, is taking the lead on improving the Service Planning Framework.

Audit Commission inspections

- 2.20 As part of the annual audit and inspection plan, the Audit Commission inspected the Council's approach to improving services through customer access and focus. Inspectors found that the Council is making progress towards its aims of putting the customer first and serving the whole community. However its current level of customer focus and accessibility is mixed, with some good and some poor practice. The council manages service specific issues and large projects well and involves the community but is at an early stage of understanding needs across the whole community.

- 2.21 Councillors, officers and the Council's partners are all committed to improving customer focus and accessibility. The Council has shown a track record of improving services for customers and it uses partnerships well to boost capacity. However, it is yet to embed performance management to ensure that customer focus is addressed in a consistent manner across the whole organisation. Inspectors judged the Council's approach to be fair (one star) because:

- customers have found access to Council services has improved;
- newer and refurbished offices and facilities have good physical access;
- more recent publications take care to consider equality and diversity issues;
- some Council services achieve very high satisfaction levels;
- area Councils work well in involving local people with local projects;
- the Council uses feedback from customers to improve specific services or to modify major projects;
- and
- the Council has strong relationships with its partners with some early impact being demonstrated.

2 Key findings

2.22 However, there are still areas where the Council has more work to do, in particular:

- it has a limited knowledge of the needs of different groups within the community;
- some Council services are given poor satisfaction ratings by users;
- there is no overall strategy for customer focus and access;
- measures of success in improving customer focus and access are limited to specific services;
- the Council is not ensuring that all staff are routinely trained in customer service; and
- the corporate complaints system is not driving sufficiently service improvement.

Inspectors found that the Council has promising prospects for improvement based on its plans for developing its approach to customers.

Use of Resources Assessment

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

2.24 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in five areas.

Exhibit Three: Use of Resources assessment

Element	Assessment
Financial reporting	1 out of 4
Financial management	2 out of 4
Financial standing	1 out of 4
Internal control	2 out of 4
Value for money	3 out of 4
Overall Use of Resources Score	2 out of 4

(Note: 1=lowest, 4=highest)

2 Key findings

Use of Resources Assessment continued

- 2.25 In reaching these judgements we have drawn on our 2004-05 Code of Audit Practice audit work, the work of other regulators and detailed review of an evidenced self assessment prepared by the Council against specified Audit Commission key lines of enquiry (KLoE) for the value for money element of the assessment.
- 2.26 The key messages arising from each element of the assessment are set out below. Further details of the Council's strengths, areas for development and recommendations can be found in our 2004-05 Governance Report and 2005-06 Use of Resources report.

Financial reporting and the accounts audit

- 2.27 We have assessed the Council's arrangements for financial reporting as level 1 (below minimum requirements – performing inadequately). The overall financial reporting assessment comprises two judgements – performance in producing the 2004-05 annual accounts and, secondly, arrangements for promoting external accountability, with the former having the greater weighting.
- 2.28 The Council's performance in producing the 2004-05 annual accounts was assessed as below minimum requirements. The Council prepared the draft accounts by the earlier deadline of 31 July 2005 and the quality of working papers has improved. However, the audit identified a number of significant errors and departures from accounting requirements, in particular in relation to the cashflow statement. Additional audit resource was required to complete the audit and, although earlier than last year, the accounts were not published until after the statutory deadline. We reported fully on the matters arising from our accounts audit in our reports to Cabinet in October and November 2005.
- 2.29 Since completing our 2004-05 accounts audit, we have been working closely with the Council to improve the accounts and audit process to enable the shorter statutory timescale for production and audit of the 2005-06 accounts to be met, and for minimum requirements to be achieved. To assist this process, we have issued a detailed Action Plan setting out improvements to the accounts preparation process. We have also held an accounts seminar and a workshop at the Council to discuss improvements to the accounts closedown, preparation, and the audit process. The Council is already taking action to implement actions agreed in the Action Plan and is committed to improving performance in this key area.
- 2.30 The Council's performance in promoting external accountability was assessed as adequate. The Council publishes annual accounts and Annual Audit and Inspection Letters on the website, and committee papers and agendas are made available to the press and public. To improve arrangements in this area, the Council will need to carry out consultation with a range of stakeholders to establish requirements for summary accounts or an annual report, and publish appropriate information accordingly.

2 Key findings

Use of Resources Assessment continued

Financial Standing

- 2.31 We have assessed the Council's arrangements for financial standing as level 1 (below minimum requirements - performing inadequately). Our assessment is based on the Council's level of reserves but does not take account of the estimated 2005-06 outturn position. At the end of 2004-05, the Council held an unallocated reserve balance of £300,000, compared to negative reserves of £111,000 at the beginning of the year. The year-end position demonstrates the Council's success in managing its 2004-05 budgets, as well as the impact of past decisions. The Council approved a net revenue budget for 2005-06 of £12.3 million. The budget was set to increase unallocated general fund reserves to £550,000, slightly below the Chief Finance Officer's minimum recommended amount of 5% of the revenue budget. Achievement of the planned contribution to reserves in 2005-06 will significantly improve the Council's performance in this area and help secure an adequate assessment going forward.
- 2.32 We have reported in previous Annual Letters on the relatively poor Council Tax and NNDR collection rates compared to other councils. The Council put in place special measures and an improvement plan to address collection performance. We are pleased to report that, in 2004-05, the collection rate for NNDR increased to 94.4% (91.8% 2003-04), and for Council Tax increased to 94.7% (94.5% 2003-04).
- 2.33 The Housing Revenue Account shows a surplus for 2004-05 of £234,000 resulting in a surplus carried forward of £148,000 which demonstrates how effectively the Council has addressed the deficit balance at 31 March 2004. The Council's arrangements for the Large Scale Voluntary Transfer (LSVT) are well underway and all Council housing stock will be transferred to Contour Housing on 28 March 2006. Properties will be transferred at valuation that reflects the extent of work required by Contour Housing to meet and maintain Council houses at the Decent Homes Standard. This will create a write down against the value at which these properties are currently included in the accounts. We understand that the ODPM will at same time write off remaining debt in respect of the HRA.
- 2.34 The Council has approved a capital programme for 2005-06 of £11.1 million, the largest capital programme the Council has managed. The ELEVATE housing market renewal programme accounts for over £6 million of external funding. The Council continues to monitor the capital programme closely through its Capital Programme Working Group.

Financial management

- 2.35 We have assessed the Council at level 2 for financial management (at minimum requirements – performing adequately). The overall financial management assessment comprises three judgements:
- performance in maintaining a medium-term financial strategy, linked to soundly based revenue and capital budgets;
 - arrangements for managing budgets; and
 - arrangements for asset management.

2 Key findings

Use of Resources Assessment continued

2.36 The Council has adequate arrangements in place for medium term financial planning, including:

- good revenue and capital budget setting processes;
- a developing medium term financial strategy; and
- adequate reporting to members, including the revenue consequences of capital developments.

Embedding medium term financial planning across the Council and re-establishing the Service Planning Framework will be key to improving the Council's performance in this area.

2.37 The Council's arrangements for managing budgets were assessed as level 3 (consistently above minimum requirements – performing well). The Council has established budget setting, monitoring and control arrangements. On the whole, remedial action is taken when forecast deficits arise and this has contributed to the recent history of successful budget management.

2.38 The Council has significantly improved management of performance against budget. There is scope for further development around training on financial issues for members and non-finance staff.

2.39 The Council has adequate arrangements in place for managing assets. The main factors in arriving at this assessment include:

- asset management activities are undertaken by a designated property officer, although generally activity tends to be reactive;
- reporting on asset management to members is in place;
- the Council has sought to improve use of assets, and has reviewed Council accommodation resulting in change of use of Cannon Street and the Globe Centre; and
- there is a maintenance programme and an assessment of backlog maintenance required, however due to capacity and financial resources, the Council does not have a formal plan, approved by Members and properly resourced, to reduce backlog maintenance.

2.40 To improve arrangements in this area, the Council will need to better link asset management and maintenance to medium term service and financial planning and determine performance measures to assess how the Council's assets contribute to the delivery of strategic objectives. Long term strategic planning for asset use and how assets are to be used to deliver objectives can be strengthened and regularly reported to members to evidence how the Council has managed assets effectively at a strategic and service level.

2 Use of Resources

Use of Resources Assessment continued

Internal control

- 2.41 We have assessed the Council at level 2 for internal control (at minimum requirements – performing adequately). The overall internal control assessment comprises three judgements:
- performance in managing significant business risks;
 - maintaining a sound system of internal control; and
 - promoting and ensuring probity and propriety.
- 2.42 The Council's performance in managing significant business risks was assessed as adequate. In many respects, the Council has well-established arrangements including having a risk management policy and strategy that have been in place and approved for three years.
- 2.43 The Council has also put in place arrangements for member involvement in risk management. Until recently half-yearly risk management reports were presented to the Standards Committee and plans are in place going forward for quarterly reporting the Audit Committee.
- 2.44 Strategic and operational risk registers are the accepted mechanism for organisations to demonstrate that key risks are being identified and actively managed. The risk management policy requires the Council to produce strategic and operational risk registers. The Council has, for some time, produced risk registers for strategic and operational risks and has maintained a register covering these risks, for several years.
- 2.45 To improve and fully embed risk management arrangements, service managers must ensure that operational risk registers, including those relating to the Council's major partnerships, are regularly maintained and used as a key management tool.
- 2.46 The Council's performance in maintaining a sound system of internal control was assessed as adequate. The main factors in arriving at this judgement are:
- the Audit Committee was newly established during the year and is still developing;
 - Internal Audit complies with CIPFA requirements;
 - the constitutional framework is in place (including standing orders, standing financial instructions, scheme of delegation and procedure notes);
 - arrangements are in place to ensure compliance with laws and regulations; and
 - procedure notes are in place in some areas but not all, and evidence is not strong to support whether procedure notes are in place for all business critical systems during the financial year.

2 Key findings

Use of Resources Assessment continued

- 2.47 To further improve arrangements in this area the Council should:
- develop a formal assurance framework that maps the Council's strategic objectives to risks, controls and assurances and includes the provision of robust, evidence based service managers' assurance statements;
 - develop explicit reporting into the Audit Committee around the assurances that are built up during the year, leading to the year end SIC; and
 - ensure procedure notes and manuals are in place for all financial systems.
- 2.48 The Council's performance in ensuring probity and propriety was assessed as adequate. The main factors in arriving at this judgement are:
- officer and member codes of conduct are in place and all members have signed up to the code;
 - registers of interests, gifts and hospitality are in place and are used;
 - complaints, counter fraud and corruption, investigation and whistleblowing procedures are in place, and publicised;
 - participation in the National Fraud Initiative and following up of data matches.
- 2.49 In order to further improve arrangements in this area the Council may wish to consider developing fraud awareness training, proactive anti fraud work based on a Council wide assessment of risk, and a formal assessment of standards of conduct by members and officers.

Value for Money

- 2.50 We have assessed the Council at level 3 for value for money (consistently above minimum requirements – performing well). The overall value for money score comprises two judgements – current achievement of value for money and, secondly, arrangements for improving value for money.

2 Key findings

Use of Resources Assessment continued

- 2.51 The Council's performance in currently achieving value for money was assessed as consistently above minimum requirements. The main factors in arriving at this assessment are that the Council's performance on key services is above that expected for the level of spend, when compared to similar authorities, and taking into account local demographics. There is evidence that investment has resulted in improved services in some areas and current investment in weaker service areas is expected to bring required improvements. For example, recycling performance is now amongst the best in the county, having improved in 2004-05 whilst costs reduced. Unintended high spending is identified and addressed effectively if it occurs.
- 2.52 The Council's arrangements for managing and improving value for money are assessed as adequate. The Council has implemented cost reduction and efficiency initiatives and has, for example, worked effectively to reduce IT budgets and improve capability procedures which reduced sickness absence and improved productive time. Senior officer and member review of service performance, via monitoring of BVPIs, improvement plans and special measures is in place and these arrangements will be strengthened in future through the recently established Performance Management Team and full implementation of the *PerformancePlus* system.
- 2.53 A procurement strategy is in place, and there are examples of good procurement activities developing, for example the Council's partnering arrangement with Blackburn with Darwen Borough Council for regeneration services support, and the Council's participation in the East Lancashire e-Partnership which has helped to increase the Council's capacity to engage in e-procurement processes and an e-marketplace.
- 2.54 Going forward, the Council needs to develop, in common with many councils, clear information on costs and quality, over time and compared to other authorities, which can be used by members and managers to routinely challenge value for money.

Grant claims

- 2.55 To assess the effectiveness of the Council's arrangements for submission of grant claims for audit, we reviewed all 2004-05 grant claims submitted.
- 2.56 Exhibit Four below summarises the Council's performance against best practice performance indicators. Over half of the claims submitted for audit were amended or qualified, a significant increase on the previous year and a key area for improvement.

2 Key findings

Grant Claims continued

Exhibit Four: Grant Claims: Key Performance Indicators

Performance indicator	Achievement
Claims submitted on time for audit	82%
Claims amended	44%
Claims qualified	13%
Certified within grant-paying body's deadline	76%

- 2.57 There is scope for improvement in a number of areas including improving the quality of working papers in support of individual grant claims, and ensuring pre-audit checks are completed by departments before claims are submitted for approval. These improvements should help ensure that errors and qualifications are reduced and minimise audit work as a result.

3. Looking forward

Future audit and inspection work

- 3.1 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 the audit of the 2005/06 accounts, will be reported in next year's Annual Letter.
- 3.2 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 and continue to work with other inspectorates and regulators to develop a co-ordinated approach to regulation.

Revision to the Code of Audit Practice

- 3.3 The Code of Audit Practice has been revised with effect from 1 April 2005. Further details are included in our Audit Plan, which has been agreed with the Chief Finance Officer and Managing Director. 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

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

Closing remarks

- 3.5 This letter has been discussed and agreed with the Chief Finance Officer and Managing Director. A copy of the letter will be presented at the Audit Committee in March 2006.
- 3.6 The Council has taken a positive and constructive approach to our audit and inspection we would like to take this opportunity to express our appreciation for the Council's assistance and co-operation.

Availability of this letter

- 3.7 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

Audit & Inspection reports issued since our previous Annual Audit and Inspection Letter in February 2005

Report	Date Issued
Performance Audit Report (2004-05)	March 2005
Report to Management on Matters Arising out of the Audit of Financial Aspects of Corporate Governance (2004-05)	July 2005
Grant claims and returns (2003-04)	July 2005
Audit Plan (2005-06)	August 2005
Customer Access and Focus Report (2004-05)	September 2005
Report on the 2004/05 financial statements to those charged with governance (SAS 610)	October 2005 and updated in November 2005
Financial Statements audit detailed Action Plan (2004-05)	December 2005
Direction of Travel Report (2004-05)	February 2006

Audit and Inspection fee

Audit area	Plan 2004-05 £	Actual 2004-05 £
Overall management & direction	4,950	4,950
Accounts	32,000	42,200
Financial aspects of corporate governance	43,350	43,350
Performance	29,700	29,700
TOTAL CODE OF AUDIT PRACTICE FEE	110,000	120,200
Grant claim certification	40,000 est *	To be finalised
Additional voluntary work (<i>under Section 35</i>)	n/a	n/a

* Actual fee dependent on number of claims to be certified.

Inspection fee update

The full year inspection fee is £11,925. 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.