

## Agenda No 3

### AGENDA MANAGEMENT SHEET

**Name of Committee**                      **Audit And Standards Committee**

**Date of Committee**                      **28 May 2009**

**Report Title**                                **Annual Audit and Inspection Letter**

**Summary**                                      To consider the Audit Commission's Annual Audit and Inspection Letter

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**Would the recommended decision be contrary to the Budget and Policy Framework?**      No.

**Background papers**                      None

#### CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

Other Committees                       .....

Local Member(s)                       N/A

Other Elected Members                       .....

Cabinet Member                       .....

Chief Executive                       .....

Legal                                     

Finance                                       .....

Other Chief Officers                       .....

District Councils                       .....

Health Authority                       .....

Police                                       .....

Other Bodies/Individuals                       .....

**FINAL DECISION YES**

**SUGGESTED NEXT STEPS:**

Details to be specified

Further consideration by  
this Committee

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To Council

.....

To Cabinet

.....

To an O & S Committee

.....

To an Area Committee

.....

Further Consultation

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# Annual Audit and Inspection Letter

Warwickshire County Council

Audit 2007-2008

March 2009



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

- 1 Warwickshire County Council has continued its high levels of performance in the last 12 months. The Audit Commission's Comprehensive Performance Assessment for 2008 resulted in the Council retaining its three-star status and it has been classified as 'improving well' in the Direction of Travel assessment. A recent corporate assessment concluded that the Council was performing well, maintaining a three star rating against the 'harder test'.
- 2 The Council is continuing to deliver improving outcomes across priority areas. Modernisation in Adult Services is helping more people live independently. Housing support services for vulnerable people are delivering better value for money. Foster care services are 'outstanding', with more timely reviews and young people leaving care provided with good support to achieve economic wellbeing.
- 3 More people are using buses as a result of investment in transport services. There is sustained progress with improving road and community safety although fear of crime has risen for the first time. Access to services for diverse communities is improving. New waste arrangements are delivering higher recycling and diversion rates in some districts.
- 4 Plans have been strengthened around joint commissioning services and the Council is addressing gaps identified in the corporate assessment. Improvements in partnership working are targeting resources at the most needy areas but partnerships with health bodies are under-developed. There is a good level of partnership working at an operational level to address health inequalities. However, effective partnership working at an operational level takes place in spite of, rather than because of, any clear overall strategic framework.
- 5 Warwickshire is performing strongly in its use of resources and overall delivers good value for money across most of its services. The Council has moved quickly to evaluate the impact of the economic downturn and is taking action to adapt to rapidly changing circumstances. The Council is currently addressing potential overspends in 2008/09 and the financial consequences seem likely to impact further in 2009/10.
- 6 Warwickshire Fire and Rescue Authority (FRA) faced a challenging year but the Council and FRA are working to ensure they have a good understanding of the service's strengths and weaknesses. An organisational assessment of the FRA will be undertaken this year as part of the new Comprehensive Area Assessment (CAA) approach. Alongside this the Office of the Chief Fire and Rescue Advisor (OCFRA) is supporting the service in a pilot of a new operational assessment toolkit. These activities will provide a full assessment by the summer 2009 on which the service can develop further, with a view to the Acting Chief Fire Officer bringing forward recommendations for the future of the FRA.

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### Action needed by the Council

- 7 We recommend that the Council take the following actions.
- Develop local governance models with partners to better target activity across organisations.
  - Enhance partnership working, especially with health bodies, ensuring that the Public Service Board takes a central role.
  - Develop a strategic approach to addressing health inequalities that are clearly defined, owned, agreed and understood by all partners.
  - Ensure a robust approach to working internally, and with external agencies, in implementing action plans to develop and improve the Fire and Rescue Service.
- 8 We have issued several reports during the year and we are satisfied that your officers are taking action to implement the recommendations contained in those documents. The Council may wish to monitor the progress made in implementing those recommendations.

# Purpose, responsibilities and scope

- 9 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter. It also includes the results of the most recent corporate assessment.
- 10 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 11 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). In addition the Council is planning to publish it on its website.
- 12 As your appointed auditors we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we review and report on:
  - the Council's accounts;
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 13 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 14 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

# How is Warwickshire County Council performing?

15 The Audit Commission’s overall judgement is that Warwickshire County Council is improving well and we have classified Warwickshire County Council as three stars in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

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



Source: Audit Commission (Percentage figures may not add up to 100% due to rounding)



## How is Warwickshire County Council performing?

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### Our overall assessment - the CPA scorecard

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**Table 1 CPA scorecard**

Element	Assessment
Direction of Travel judgement	Improving well
<b>Overall</b>	<b>3 stars</b>
Corporate assessment/capacity to improve	3 out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2007	3 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	3 out of 4
Use of resources*	4 out of 4
Environment	4 out of 4
Culture	2 out of 4
Fire (relevant County Councils only)	2 out of 4

(Note: \* these aspects have a greater influence on the overall CPA score)  
(1 = lowest, 4 = highest)

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### The improvement since last year - our Direction of Travel report

**16** Services in Warwickshire County Council are 'improving well'.

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### What evidence is there of the Council improving outcomes?

**17** Warwickshire County Council is a high performing council that is improving outcomes for local people. A recent corporate assessment concluded that the Council was performing well, maintaining a three star rating against the 'harder test'. It has clear ambitions, focused on improving the quality of life for all and narrowing inequality gaps. Progress is being made across the Council's priority areas with a noticeable acceleration in performance in some services in the first half of 2008/09. The Council's priorities for improvement were refreshed and expanded for the Corporate Plan 2008-11. These now include caring for older people; improving educational attainment; pursuing a sustainable environment and economy; and protecting the community.

## How is Warwickshire County Council performing?

- 18** The overall rate of service improvement in the past three years compares very well, ranking 2nd of 150 county and unitary councils but slowed in 2007/08. In a basket of performance indicators 57 per cent improved, ranking 123rd of the 150 councils. For the most part, the slippage in performance was in corporate indicators and was not significant; public facing services continued to generally improve. The outcome of a public satisfaction survey conducted by the Council in the autumn of 2007 resulted in a significant improvement on the 2006 national survey results. This was in the order of 10 - 18 per cent in the Council's priority areas. The Council continues to perform better than most others with an above average percentage of indicators in the best 25 per cent nationally. As a low spending, high performing authority, the Council continues to deliver good value for money. Over the last 3 years, the council exceeded its efficiency target by 65 per cent delivering over £22 million cashable savings.
- 19** The Council continued to improve and modernise its social care services for adults, retaining, but building on its overall two-star rating in 2007/08. The Commission for Social Care Inspectorate (CSCI) recognised improvements which resulted in an improved grading for maintaining personal dignity and respect and improvements that are aimed to help more older people live independently. This is resulting in an increase in the use of services that prevent unnecessary admission to hospital, fewer delays with hospital discharges, more people receiving direct payments and shorter waiting times for adaptations and equipment. Housing support services for vulnerable people continued to improve and expand. The outcome of a re-inspection of the Supporting People Programme saw the service moving up from a 'poor' rating in 2007 to 'fair' in 2008. The move to modernise residential care provision is still some way off as the first phase of new extra care housing schemes will not be ready for occupation until 2009.
- 20** Outcomes for improving educational attainment in 2007/08 were mixed. Rates of improvement in English at key stage 2 and mathematics at key stage 3 exceeded the national average in 2007/08. After a period of sustained improvement to 2006/07, the number of pupils attaining five or more A\*-C GCSE grades fell slightly in 2007, bucking the national trend and pushing Warwickshire to below the national average. As a result of prompt and targeted intervention this year, this was reversed in 2008 with this significant improvement. Outcomes for vulnerable children and young people are improving in most areas. The number of young people with learning disabilities who do not enter education or training has reduced and a recent inspection of foster care services judged all areas to be 'outstanding'. There has been significant improvements to the timeliness of reviews and young people leaving care receive good support to achieve economic well-being.
- 21** The Council is delivering good progress with the council's priority for a sustainable environment. The Council, with its district partners, is collecting less waste, recycling more and diverting more from landfill. New collection arrangements introduced in Warwick and Stratford upon Avon since April 2008 are successfully delivering significantly higher recycling and diversion rates in these districts. There is a better transport infrastructure as a result of the Nuneaton Development project, investment in quality bus initiatives and the completion of a new bus station at Warwick. More people are using public transport through schemes like the 'bus to work and back' scheme in Nuneaton and the flexibus scheme serving rural settlements.

## How is Warwickshire County Council performing?

- 22** The Council is delivering good outcomes in community and road safety. The County's road safety record continued to improve with the rate of reduction in the number of people killed or seriously injured above the national average and exceeding target. Although crime remains above average overall, crime fell by 11.6 per cent in 2007/08 and the downward trend is continuing in 2008/09. There has been a reduction in anti social behaviour orders and targeted initiatives have reduced anti social behaviour incidents in specific hotspot areas such as Kenilworth. The number of young people entering the criminal justice system increased in 2007/08 but is now falling. However, the fear of crime has risen for the first time in 2007/08.
- 23** Access to services is continuing to improve and services are reaching more people with diverse needs. The Council has co-located a Post Office in its new One Stop Shop in Warwick and has deployed a new fleet of mobile libraries. Services supporting people who are the victims of domestic abuse were expanded and more pitches and better accommodation has been provided for the gypsy and traveller community. Access to mental health services for children and adolescents is improving although some young people with severe mental health needs experience long waiting times to access Council services. Although the council has improved its approaches to meeting diverse need of its communities it remained at Level 2 of the Local Government Equalities standard.

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## How much progress is being made to implement improvement plans to sustain future improvement?

- 24** The Council's Strategies and plans are good in many areas and work is progressing to address gaps identified in the recent Corporate Assessment. Children's' services are assessed as having 'good' capacity to improve and in adult social care continue to be 'promising'. CSCI recognised the work with Warwickshire Primary Care Trust on developing commissioning strategies since the last assessment. Work to address the development of a strategic approach to improving health and inequalities in Warwickshire is underway through the Local Area Agreement Public Service Board.
- 25** The Council has responded quickly to understand and evaluate the impact of the economic downturn and is taking swift action to adapt to rapidly changing circumstances. The Council is on track with its plans to achieve level three of the government Equality standard in 2009, but some projects have been put on hold and some targets, particularly relating to economic development will not be achievable. Plans are progressing with other councils for a waste to energy plant, but new waste composting facilities are three months behind schedule. This has cost implications and may delay the implementation of new food waste collections planned for the south of the county.

## How is Warwickshire County Council performing?

- 26 Organisational capacity is reasonably good but the demand for some services has significantly increased in recent months. Partnership working is strong in some areas, such as children and young people, and with the voluntary sector, but less well developed in others, such as health. The Local Area Agreement is driving improvement in partnership working. Partners have agreed a modest but significant geographical variation in resource allocation in 2008/09 aimed at narrowing the gap in the neediest part of the County. Effective partnership working will enable the council to deliver on the challenging long term aims for the area.
- 27 At the time of the Council's Direction of Travel Assessment an investigation was ongoing into the Atherstone on Stour Fire of November 2007. The Direction of Travel assessment includes no consideration of the Fire or related issues, or of the Council's responsibilities as a Fire and Rescue Authority.

# The audit of the accounts and value for money

- 28** As your appointed auditors we have reported separately to the Audit and Standards Committee on the issues arising from our 2007/08 audit and have issued:
- our audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 25 September 2008; and
  - our report on the Best Value Performance Plan confirming that the Plan has been audited.

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## Use of Resources

- 29** The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
  - Financial management (including how the financial management is integrated with strategy to support council priorities).
  - Financial standing (including the strength of the Council's financial position).
  - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
  - Value for money (including an assessment of how well the Council balances the costs and quality of its services).

- 30 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 2**

Element	Assessment
Financial reporting	3 out of 4
Financial management	4 out of 4
Financial standing	4 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>4 out of 4</b>

Note: 1 – lowest, 4 = highest

### The key issues arising from the audit

- 31 Warwickshire has again achieved the highest level of performance in its Use of Resources assessment. The Council's Resources Directorate has continued to refine its arrangements to achieve these results which included some areas of good practice. The Council was performing strongly in the following areas:
- Medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities;
  - Managing performance against budget; and
  - Managing spending within the available resources.
- 32 Like all councils Warwickshire has had a number of unforeseen financial pressures due to the current economic climate. We are aware that additional energy costs and the increase demand for services during the recession are already impacting generally on the overall financial position. Warwickshire is currently addressing potential overspends in 2008/09 and the financial consequences seem likely to impact further in 2009/10.
- 33 The annual accounts were to a good standard and an unqualified audit opinion was given. The accounts were produced in accordance with the agreed timetable and there was generally a prompt response to queries raised. The supporting working papers were good. However, there is still scope to make further improvements to some supporting working papers, for example capital.
- 34 We issued an unqualified value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. During the year we have carried out a cross cutting review of Health Inequalities with Warwickshire Primary Care Trust, Nuneaton and Bedworth District Council and George Eliot Hospital NHS Trust.

## The audit of the accounts and value for money

- 35** Our cross cutting work concluded that there is a good level of partnership working at an operational level to address health inequalities in Nuneaton and Bedworth. However, effective partnership working at an operational level takes place in spite of, rather than because of, any clear overall strategic framework. The existing workforce is being used increasingly effectively to tackle the health inequalities agenda, although there is scope for developing a more structured and coordinated approach. Partners are all adopting a proactive approach in relation to promoting healthier lifestyles amongst the workforce.
- 36** We also found a lack of a clear strategic vision; health inequality targets are not driving service and financial planning; Overview and Scrutiny committees are not fully effective in challenging progress on tackling health inequalities; performance management arrangements are not yet fully effective; and arrangements for targeting, coordinating and monitoring the actions of partners to achieve health inequality objectives are not robust.
- 37** As our report covered a number of statutory authorities in Warwickshire it was agreed that the document should be considered by the Public Service Board to assist in agreeing a way forward and implementing the recommendations.
- 38** Our work on data quality concluded that the Council's overall management arrangements for ensuring good data quality are demonstrating adequate performance. The Council has reiterated its commitment to securing good quality data and work has been carried out to ensure that this is communicated internally. However awareness of the policy continues to vary. Progress has been made on establishing systems to record, analyse and report data used to manage performance although the Council acknowledges that more work remains to be done, for example ensuring that systems are in place to produce data that is right first time. The introduction of the corporate report card has given additional focus to the use of council and partner data to monitor and manage performance.

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### Audit and inspection fee update

- 39** We are required to provide an update on our audit and inspection fees and can report that our actual fees are in line with that set out in the Audit Plan presented to you on 4 June 2007.
- 40** Our 2007/08 grant certification fees amount to £21,000 compared with the estimate of £45,000. This is because we have been required to audit fewer grant claims than expected.

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# Looking ahead

- 41 The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 42 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 43 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspect of each area's Local Area Agreement.



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# Closing remarks

- 44 This letter has been discussed and agreed with officers. A copy of the letter will be presented at the Audit & Standards Committee on 28 May 2009. Copies need to be provided to all Council members.
- 45 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

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**Table 3     Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit and inspection plan	May 2007
Opinion audit plan	February 2008
Health inequalities	August 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Interim audit memorandum	October 2008
Recommendations tracking report	October 2008
Final accounts memorandum	November 2008
Corporate assessment	November 2008
Data quality	December 2008
Use of resources	February 2009
Annual audit and inspection letter	March 2009

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- 46 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

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**Availability of this letter**

- 47 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.

**Mary-Ann Bruce** [do not sign]  
**Comprehensive Area Assessment Lead**

Date

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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