

Annual Audit and Inspection Letter

March 2008



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Torridge District Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

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- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Key messages

- 1 The main messages for the Council included in this report are:
 - leadership in the Council has significantly improved. New political structures were introduced during 2007 and, while these need to become more embedded, greater leadership and direction has been provided;
 - the capacity of councillors is being used more effectively. This is being achieved through the introduction of a cross party Leadership Team, revised committee structure, lead members and an improving training programme;
 - the use of resources assessment we carried out in 2007 rated the Council overall as meeting level two, at minimum requirements with adequate performance. Within this overall score, the rating for financial standing was scored at level three, consistently above minimum standards and performing well;
 - the Council is providing better value for money through its services;
 - the re-inspection of housing management services showed a marked improvement on the previous assessment (undertaken in 2005) with a score of fair with 'promising' prospects for improvement;
 - the inspection of waste and street scene services showed that a good service had been maintained (it was last inspected in 2001) and there were now 'promising' prospects for improvement;
 - an unqualified audit opinion was issued on the 2006/07 financial statements; and
 - for the 2006/07 financial year the Council had adequate arrangements in place for 11 of the 12 criteria specified by the Audit Commission for securing economy, efficiency and effectiveness in its use of resources.

Action needed by the Council

- 2 Review and monitor the action being taken to achieve further improvement in the use of resources assessment. This should also address the steps being taken to meet the new use of resources criteria introduced for 2008/09.
- 3 Improve the focus of the overview and scrutiny forward plan.
- 4 Develop further the Council's approach to equalities and diversity at both the corporate and service level.

Purpose, responsibilities and scope

- 5 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 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 6 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.
- 7 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. In addition, the Council is planning to publish it on its website.
- 8 As your appointed auditor I am 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, I 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.
- 9 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.
- 10 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Torridge Council performing?

- 11 Torridge District Council was assessed as 'Poor' in the Comprehensive Performance Assessment carried out in 2003. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

- 12 The Council has made significant improvements in a number of priority and previously poor performing areas. In line with its environment priorities the Council is managing waste well. Recycling rates are increasing faster than the national average, satisfaction is high and the amount of waste collected is falling against a national picture of static performance. The management of benefits shows a similar pattern. The average time to process new claims and changes in circumstances have improved much faster than the national average and are now in the top quartile. The processing of planning applications shows improvement but is still below the national average. Overall, these achievements have been made without significant increases in costs meeting the Council's priority of delivering excellent services.

- 13 In partnership with others the Council is making a significant and increasing contribution to improving the area and the quality of life of its citizens. Infrastructure improvements such as Caddstown Business Park and the Appledore Fish dock are developing new, and maintaining traditional, small businesses and addressing environment building principles. With partners the Council is starting to target community safety and health issues in the district, for example tackling anti social behaviour in Bideford and providing opportunities for active recreation. Developments in sustaining and improving the natural and built environment include street scene enhancements and maintenance of the coastal assets of the district – which are also contributing to the tourism economy. However, the Council's strategic approach to reducing its impact on the environment is at an early stage.
- 14 Significant improvements in services such as benefits, housing repairs and homelessness have addressed the needs of some of the most vulnerable in the district. The Council is improving its commitment to equality and diversity, but this remains a challenge and progress has not been as significant as other councils nationally and there are limited measures of success. Access to services is improving, for example through a new customer services team and better access to council buildings. However, improvements for those in rural areas are limited and a strategic approach to addressing the access requirements of all the district's residents is not fully developed.
- 15 The Council is providing better value for money through its services. Overall, it is a comparatively low cost authority and areas of higher spend are in priority areas. The Council's capital programme is well managed, taking into account whole life costing principles, and the monitoring and reviewing of value for money has improved significantly. Efficiency savings have been achieved through fundamental reviews of services and through strong procurement processes, but developing shared services and introducing value for money measures are at an early stage.

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

- 16 A number of ambitious plans are in place or developing to enhance the area and improve council services. There is a regeneration framework for Bideford and many parish and town plans are in place. Improvements in people and financial management, information technology, risk and project planning is helping to use internal resources more effectively often through good partnership working.
- 17 The Council has made good progress in its improvement measures. It has met all its actions in its 2005 improvement plan. Its ambitious plans for Torridge and the wider North Devon Area are supported by strong leadership and assisted by a joint local strategic partnership with North Devon, an emerging sustainable community plan and a linked local area agreement. These plans are backed by good community intelligence and improving project management and analysis skills within the organisation.

- 18 Improvements in business planning are supporting the Council's improvement agenda. The Council's business planning framework has been strengthened and is underpinned by recently introduced staff appraisals. Improvements to services have progressed well through a systematic approach to process re-engineering focused around providing the best possible service to the customer. This approach has resulted in significant improvements in a number of previously poor performing areas and is allowing redirection of resources to priorities. Plans are in place to further progress this across other services.
- 19 Performance management arrangements are helping the Council to improve services and allocate resources effectively. An integrated performance management framework is developing a culture of effective monitoring, challenge and review. Business plans are challenged by councillors and senior officers and quarterly business reviews ensure the Council stays on track. The introduction of a corporate performance scorecard further aligns financial and operational information. However, the forward plan used by the overview and scrutiny committee needs to be more focused.
- 20 The Council has continued to increase its corporate capacity addressing many of the weaknesses highlighted in its improvement plan. HR processes have been strengthened and a reorganisation has aligned roles and responsibilities to priorities. New staff have been employed, consultants add value where required and training and development is helping to provide a more capable and flexible organisation - this is reflected in the commitment and enthusiasm of staff. However, sickness levels are high and are not consistently falling.
- 21 The capacity of councillors is being used more effectively. This is being achieved through the introduction of a cross party Leadership Team, revised committee structure, lead members and an improving training programme. Better and timely performance information is allowing councillors to make strategic decisions more effectively and improved delegation and levels of trust have reduced the involvement of members in operational detail.
- 22 Partnerships are building capacity. Economic partnerships are increasing support for local businesses and attracting new companies. Plans are progressing to share services with neighbouring authorities and a number of staff secondments are in place and adding value - for example with Mid Devon on ICT. The transfer of the Council's housing stock is providing investment to improve the quality and affordability of housing for some of the most vulnerable in the district and success in securing external funding is supporting a number of regeneration schemes.
- 23 Governance of the Council has improved. The Council is effectively addressing its previously fragmented leadership and poor reputation. Closer working between political parties through the Leadership Team, and improved councillor officer relationships, is developing a more cohesive organisation and improving decision making. Stakeholder consultation and communication has improved and enhanced relationships with local media are helping improve the reputation of the Council.

Application for a Corporate Assessment

- 24 On 28 February 2008 the Audit Commission approved the Council's application for a Comprehensive Performance Assessment (CPA) recategorisation. A Corporate Assessment will now take place in July 2008 with the outcomes reported in the Autumn of 2008.

Service inspections

Re-inspection of Housing Management Services

- 25 The housing service was originally inspected in 2005 when the judgement was that the service was poor with poor prospects for improvement. The scope of our re-inspection in July 2007 covered the same areas as were inspected in 2005 which were:
- access and customer care, diversity and value for money across all services;
 - stock investment and asset management, including capital and planned works, responsive repairs, gas servicing, repairs to empty homes and adaptations; and
 - income management and tenancy and estate management including how anti-social behaviour is tackled.
- 26 We concluded that Torridge DC provides a fair housing service that has 'promising' prospects for improvement. Key findings from our inspection reported in November 2007 are set out below.
- 27 Satisfaction with the overall housing service provided by the Council is high. Communication with customers is good and access to the service is easy. Estates are well managed and investment has focused on providing warmer homes and reducing the number that does not meet the decent homes standard. The service relets empty properties quickly and completes repairs on time in customer-focused way. Gas safety checks and major adaptations are carried out promptly. Tenancies are well managed in most respects and performance on income management is now above average. Service costs compare well to other similar organisations and costs are now broadly consistent with the overall quality of the service.
- 28 The approach to equality and diversity is weak and while the overall corporate approach to customer service is improving it is not fully developed. In some important areas customer choice and involvement is limited and the service is not always customer-focused. The management of value for money is weak. The service does not have a clear understanding of its costs and how these compare and has not yet demonstrated good value for money from its in-house services. Procurement remains an area for improvement.

- 29 The Council's leadership of the service is now strong and its future plans are generally good showing self-awareness about strengths and weaknesses. In addition, the plans developed for transferring homes to Tarka Housing are sound and form a solid basis for improvement in the future. Performance management arrangements and financial capacity are also strong. Staff capacity is strong and improving in key areas such as procurement. There is a track record of improvement in some important areas for example, in the repairs service and in improving tenants' homes to make them warmer and meet the decent homes standard.
- 30 However, improvement has been slow in several important areas such as equality and diversity and value for money. There are weaknesses in the approach to human resources (HR) including the current use of the appraisal system and a relatively high level of sickness. Performance reporting and the service's approach to learning remain areas for improvement. In addition, there remain weaknesses in the Council's IT systems.

Waste and street scene services inspection

- 31 The Council last had a waste inspection in December 2001, when it was judged to be a good service but with uncertain prospects for improvement.
- 32 The scope of our inspection in March 2007 encompassed waste collection, recycling and street cleansing, and included abandoned vehicles, fly-tipping and dog fouling. We did not inspect the Council's car parks, formal parks or public conveniences. The service areas inspected are some of the Council's most important public facing services.
- 33 We concluded that Torridge District Council provides a good waste management and street cleaning service and there are promising prospects for improvement. Key findings from our inspection reported in May 2007 are set out below.
- 34 The service is good because performance is among the best 25 per cent of councils for recycling and the cleanliness of the streets. Recycling of seven different recyclables is available to the majority of residents, either through a box collection scheme or recycling pavilions across the district. Satisfaction with recycling and the delivery of the waste service is evident. The service has met the majority of its targets for 2005/06. Beaches at Westwood Ho! are cleaned well in partnership with other organisations, retaining blue flag status. Incidences of dog fouling are dealt with effectively through prevention and enforcement, abandoned vehicles and fly-tipping are removed quickly. Residents are satisfied with the service and through local surveys consider it reliable. Expenditure is controlled through effective procurement of appropriate equipment and vehicles fit for their purpose. Consultation is undertaken and in the majority of cases results in an improved service for customers. Contacting the service is easy with efficient and effective responses to enquiries. Some initial work has begun to reduce the Council's environmental impact. However, corporate aims to minimise waste and deliver better enforcement and education activity are not in place, and neither is a structured and agreed corporate approach to reducing the Council's overall impact on the environment. The service cannot fully demonstrate it is as cost effective as it could be.

- 35** The service has promising prospects for improvement because there is strong performance improvement in recycling and street cleanliness over the last three years. Underperformance is monitored well at councillor and senior management levels, with actions put in place to address poor performance. The streets are cleaner and satisfaction with cleanliness has increased. There is a strong track record and good leadership in place that has seen improvements in other priority services. Capacity has been increased through training and the re-organisation of waste service rounds. The service has reacted positively to consultation, improving some aspects of service delivery arising from consultation exercises. Corporate and business planning has improved significantly, as has the method of allocating resources to corporate priorities. The Council's approach to delivering better value for money and improved equalities and diversity is underdeveloped and work to improve education and enforcement activity is behind schedule.
- 36** Clear strategies are in place for the service, as are business plans, however, they lack ambitious targets. Strategic scrutiny of the service is underdeveloped and the opportunity to deliver, through partnership, a better service at a lower cost has been slow until recently. However, because of recent and rapid developments there is a strengthening strategic local waste partnership with North Devon District Council. Detailed plans are not yet in place but there is clear commitment from both councils and an emerging action plan and timeline to initiate a North Devon Waste Partnership. The ability to make efficiency savings and service improvements as a result look promising.

The audit of the accounts and value for money

37 As your appointed auditor I have reported separately to the Policy, Performance and Resources Committee on the issues arising from our 2006/07 audit and have issued:

- my audit report, providing an unqualified opinion on your accounts (September 2007);
- a conclusion on your VFM arrangements to say that the Council has made, in all significant respects proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007 except that it did not put in place arrangements for the management of its asset base (September 2007); and
- my report on the Best Value Performance Plan confirming that the Plan has been audited (December 2007).

Use of Resources

38 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).

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

Table 1

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

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 40 The Use of Resources (UoR) assessment evaluates how well councils manage and use their resources. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.
- 41 This is the third assessment we have undertaken at Torridge District Council. Our assessment was based on the key lines of enquiry for 2007. These included new requirements for councils as part of the Commission's approach to phasing in those elements that need more lead in time and to supporting improvement by gradually raising the standard of the assessment. The period assessed for 2007 was also aligned with the financial year 2006/07.
- 42 Judgements were made for each theme using the Audit Commission's scale. We assessed 4 of the 5 themes as a level 2, i.e. at minimum standards with adequate performance. The financial standing theme scored a level 3 which indicated that it was consistently above minimum standards and performing well. The Audit Commission published an overall use of resources assessment score of 2 in January 2008.
- 43 Our overall conclusion was that the Council's performance demonstrates continued improvement during 2006/07. This is most noticeable in relation to the value for money criteria. The change programme that the Council is undertaking continues to improve working practices. Although this is promising progress, some features within internal control systems need further development. These issues will need to be addressed in the context of more stringent requirements for 2008.

44 Key findings from the audit are set out below:

Improvements made during 2006/07

- Budget monitoring information is routinely available to allow scrutiny at member level to take place regularly.
- The Medium Term Financial Strategy (MTFS) in its most recent form is being used as a tool to direct and manage at a strategic level.
- Overall the Council is a low cost authority in comparison with other district councils.
- Satisfaction with waste management and the housing benefit services is improving and along with social housing tenants satisfaction is amongst the best nationally.
- The monitoring and reviewing of value for money has improved significantly and there is now a robust framework by which service performance and spend is set, controlled and challenged.
- A thorough programme of review and introduction of lean working principles is producing efficiency saving and improved level of performance.
- The Council has been actively involved in the National Fraud Initiative data matching process.

Areas for further improvement

- Improve quality control arrangements in the production of the financial statements to eliminate non-trivial errors in the accounts submitted for audit.
- Involve stakeholders in determining whether the summarised financial information in updates of the Strategic Plan is informative and meets their needs.
- The corporate processes and robust links to the MTFS need to be clearly evidenced.
- Clear links between the Quarterly Review, service planning and risk assessments in the corporate plan and the MTFS need to be established.
- Plans need to demonstrate how property assets will be maintained, modernised and rationalised to ensure that they are fit for purpose.
- Development of the MTFS to reflect change in the level of risk from disposal of the housing stock needs to be actively managed.
- Arrangements for continuity planning need to be finalised.
- Further integration of information technology systems into management procedures is needed.

Looking ahead

- 45 The public service inspectorates are currently developing 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.
- 46 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 47 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 Local Area Agreements.

Closing remarks

- 48 This letter has been agreed with the Chief Executive. A copy of the letter will be presented at the Policy, Performance and Resources Committee on 31 March 2008. Copies need to be provided all Council members.
- 49 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.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan 2006/07	November 2006
Waste and Street Services inspection	May 2007
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Audit of the financial statements	November 2007
Housing Management Services Re-inspection	November 2007
Use of resources auditor judgements 2007	December 2007
Annual audit and inspection letter 2006/07	March 2008

- 50 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.

Availability of this letter

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

Brian Bethell
Relationship Manager

March 2008