

Annual Audit and Inspection Letter

March 2008



Annual Audit and Inspection Letter

Royal Borough of Kingston Upon Thames

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.
- 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, 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 Letter

This Letter 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 who is also your Appointed Auditor.

In this Letter, 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.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- 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.

Copies of this Letter

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Key messages	4
Action needed by the Council	4
Purpose, responsibilities and scope	5
How is the Council performing?	6
The improvement since last year - our Direction of Travel Report	7
Service inspections	8
The audit of the accounts and value for money	11
Key issues arising from the audit	11
Additional services	14
Looking ahead	15
Closing remarks	16
Availability of this Letter	16

Key messages

- 1 The main messages for the Council included in this Letter are:
 - the Council has been assessed as a three star authority under the CPA framework and its Direction of Travel has been assessed as improving well;
 - we issued an unqualified opinion on the 2006/07 statement of accounts on 28 September 2007;
 - we issued an unqualified opinion on the Council's arrangements for securing value for money during 2006/07 on 28 September 2007; and
 - the Council's follow up of output from the Audit Commission's National Fraud Initiative (NFI) has been slow and much work remains to be carried out to ensure effective use is made of the information provided by NFI.

Action needed by the Council

- 2 The Council faces significant spending constraints and its medium term financial strategy 'Destination Kingston 2011' requires savings of £13m to be made. The Council should continue to exercise robust control to achieve its financial targets.
- 3 The Council should ensure that the results of the investigation of NFI data matches are used to take appropriate action to recover losses.

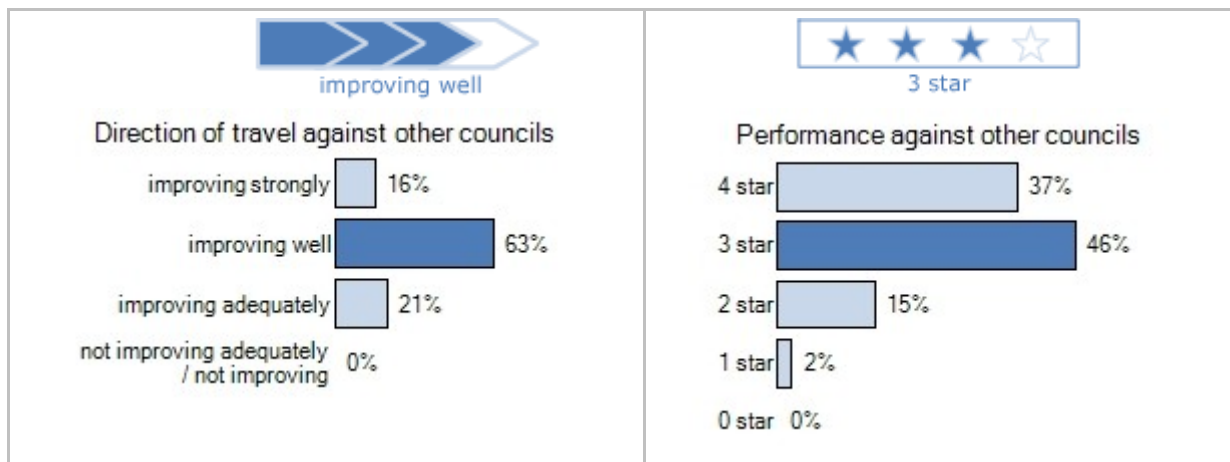
Purpose, responsibilities and scope

- 4 This Letter 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.
- 5 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.
- 6 This Letter also communicates 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.
- 7 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, 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.
- 8 This Letter includes 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. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 9 We have listed the reports issued to the Council relating to the 2006/07 audit and inspection work at the end of this Letter.

How is the Council performing?

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

Figure 1 Comparison against other councils



Source: Audit Commission

Councils with a CPA star rating under review or with a direction of travel judgement that is subject to review are excluded from this analysis.

- 11 The detailed assessment for the Council is as follows.

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	three star
Corporate assessment	3 out of 4
Current performance	out of 4
Children and young people*	4
Social care (adults)*	3
Use of resources*	3
Housing	2
Environment	2
Culture	2
Benefits	3

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

The improvement since last year - our Direction of Travel Report

- 12 The Royal Borough of Kingston upon Thames is improving well. The Council is continuing to improve services, focusing on improvement in priority areas. Services for children and young people are excellent and continue to improve with new advice and support services being developed. Crime and anti-social behaviour has reduced as have road traffic accidents. The approach to traffic reduction is innovative and Kingston is London sustainable transport borough of the year. Some indicators for waste and recycling performance have not improved and although satisfaction with these has increased it remains below average. The benefits service shows improvement but performance of housing services is mixed. The Council is seeking to improve access to services for vulnerable and disadvantaged groups across a number of areas but some aspects of housing related support services, although improving, are only achieving minimum standards. The Council has significant financial constraints but value for money overall is good with robust processes and forward planning is progressing well. The Council has good capacity to continue to improve with strong leadership, effective management and good use of partnership working.

Service inspections

- 13 To ensure that councils receive a tailored seamless service, integrated with the work of other inspectorates, the Audit Commission has appointed a Relationship Manager for each council. The Council's Relationship Manager is Derek Elliott who is also the Council's Appointed Auditor. An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the Council's performance. Relationship Managers share information and seek to provide 'joined up' regulation to the Council. During the last year, the Council has received assessments from the following inspectorates:
- Ofsted;
 - Commission for Social Care Inspection (CSCI); and
 - Benefits Fraud Inspectorate (BFI).

Ofsted

- 14 Ofsted assessed the overall effectiveness of the Council's services for children and young people as grade 4 (out of 4) and commented on the overall effectiveness of children's services as follows.

'The Royal Borough of Kingston-upon-Thames consistently delivers well above minimum requirements for users. The Council has responded well to the recommendations raised in the joint area review report and has made good progress since that time. It has maintained excellent outcomes for children and young people in enjoying and achieving and in their economic well-being, and improved outcomes from good to outstanding in staying safe and making a positive contribution. The contribution the Council makes towards improving outcomes for being healthy remains good. There is clear evidence that the council has continued to make improvements following the joint area review. For example, there is better service delivery for unaccompanied asylum-seeking children and young people. Working with health partners remains strong with the strengthening of strategies to work in an integrated way. There is a very strong commitment to improving all services and an outstanding capacity for this to happen.'

Commission for Social Care Inspection (CSCI)

- 15 The Council's services for adult social care have been assessed by CSCI as delivering good outcomes with uncertain prospects for improvement. CSCI commented in their annual performance assessment of the Council for 2006/07 as follows.

'The council has made a strong commitment to promoting healthier communities and tackling health inequalities bolstered by the leadership of the jointly appointed Public Health Director and utilising a detailed analysis of RB Kingston's diverse community.'

The council's capacity to improve services further is uncertain. The council has developed a strategic approach to the modernisation of all council services with six council wide work streams, two of which are led by senior officers from the Adult Social Care Service. There appears to be a well-monitored plan for reshaping services and maximising efficiency across council services. The corporate context is one of substantial budgetary challenge to achieve £18m* savings over four years. There is a commitment to responding to those vulnerable people in greatest need with over a third of council spend being on 'caring for the vulnerable' but within challengingly stringent cost limits.'

*This has now been revised to £13m (see paragraph 2 above).

Benefit Fraud Inspectorate (BFI)

- 16 The Council's performance for 2006/07 has been assessed as 'Good' by the BFI. Their annual performance assessment of the Council has commented as follows.

'In 2006 we reported that the Council met 2 of the 12 performance measures. The Council's most recent self assessment showed that it achieved a rating of excellent against 6 of the 13 performance measures scored by the Department for Work and Pensions. In 2006 the Council met 63 of the enablers, this year the Council met 64. This resulted in the score below.

- Performance Standards score Good.
- Audit Commission score 3 (overall 2006 score - 2).

The Council told us that 2006/07 was a period of improvement for Kingston upon Thames Benefits Service. The Council had improved its performance against four of the claims administration performance measures and against three of the security performance measures which contributed to the overall improvement in performance. However, more work needs to be done to improve its handling of reconciliations and appeals to improve its user focus scores.'

Supporting people

- 17 An inspection of the Council's supporting people programmes was carried out jointly by the Audit Commission's Housing Inspectorate, the Commission For Social Care Inspection and Her Majesty's Inspectorate of Probation. The inspection assessed housing-related support services which help vulnerable people live independently. The inspection report was published in November 2007.

- 18 The Council was assessed as delivering a fair supporting people programme which has promising prospects for improvement. Key findings from the inspection are:
- the Council works well with partners to understand and respond to the needs of vulnerable people;
 - Council members are well informed about priorities for the programme;
 - comprehensive eligibility criteria have been established for access to services and these follow government guidelines; and
 - the programme meets the needs of vulnerable people and service users receive a range of relevant support to help them live independently and deal with difficult situations.
- 19 However, there are some areas which require improvement. These include:
- improving monitoring of contracts with service providers;
 - involving the community and voluntary sector in the programme more effectively; and
 - ensuring all service users have adequate information about charging for services and about how to request needs assessments.

The audit of the accounts and value for money

- 20 As your Appointed Auditor, I have reported separately to the Audit Committee on the issues arising from my 2006/07 audit and have issued:
- an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate (28 September 2007); and
 - our report on the best value performance plan to confirm that it has been audited and complies with statutory requirements (18 December 2007).
- 21 The key issues arising from the audit are set out in the section below.

Key issues arising from the audit

Use of resources

- 22 We carry out an assessment of the Council's use of resources annually. The assessment focuses on financial management and governance arrangements. The use of resources assessment is an important component of the CPA framework described above. We have assessed the Council's arrangements and scored each on a scale of 1 to 4 against descriptors called 'key lines of enquiry'. A score of 2 represents adequate performance and 3 good performance with embedded arrangements. A score of 4 is only given for exceptionally good performance.
- 23 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 the Council's 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).

- 24 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as set out in Table 2.

Table 2 Use of resources scores

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

(Note: 1 = lowest, 4 = highest)

- 25 The 2007 key lines of enquiry raised the standard required for level 2 and level 3 assessments. The Council has improved the score for financial reporting and internal control and we commended the Council's arrangements for maintaining a fixed asset register as good practice.
- 26 The Council needs to make further progress in the following areas.
- Risk management needs to be embedded across the Council. The risk register should link risks to potential impact on achieving strategic objectives.
 - The Council needs to develop a comprehensive asset management plan.

Accounts

- 27 The Council has improved the quality of its annual accounts. The accounts were supported by comprehensive working papers and our audit did not identify any material errors. The Council has been innovative in making working papers available on a shared network drive which helped improve the efficiency of the audit process.

Best value performance plan

- 28 We reviewed the Council's the best value performance plan for 2007/08 and issued our report on 18 December 2007 which confirmed that the plan has been audited and the content complied with statutory requirements.

Data quality

- 29** The Council's overall management arrangements for ensuring data quality are sound. We carried out spot checks on five performance indicators published by the Council. Four of the five performance indicators were fairly stated and one required amendment. There were no qualifications for any of the performance indicators. This is an improvement on 2005/06 when amendments were required to two performance indicators and one was qualified.

National Fraud Initiative

- 30** The National Fraud Initiative (NFI) is a computerised data matching exercise designed to identify overpayments to suppliers and to detect fraud perpetrated on public bodies. The results of the current exercise were released to participating bodies in January 2007.
- 31** The Council has been slow in following up reports provided by NFI. There are a number of areas where little follow up work has been carried out to assess whether the data matches identified by NFI are fraudulent. The potential savings identified by the Council to date amount to £7,800. This is very low in comparison to other London boroughs where many have identified potential savings of between £300,000 and £3m.
- 32** The Council has recognised the need to make urgent progress on following up NFI data matches and in January 2008 contractors were appointed to assist with investigating NFI data matches. The Council should ensure that the results of the investigation are used to take appropriate action to recover losses.

Kingston Theatre

- 33** We have commented in previous Letters on the Council's support for establishing a theatre in Kingston by providing support to Kingston Theatre Trust to build and run a theatre. The Rose of Kingston Theatre was completed in December 2007 and staged its first production in January 2008.
- 34** The Council provided an unsecured loan facility of £0.9m to the Trust in 2000. A further loan facility of £0.9 was provided in 2006. The Council holds a significant investment in the theatre and should continue to exercise robust scrutiny of its financial affairs.

Grant claims

- 35 We certify grant claims prepared by the Council on behalf of government departments responsible for providing funding to the Council. We have now certified the claims for 2006/07. A summary of the results of our work on grant claims is set out in Table 3 below.

Table 3 Grant claims submission and certification

	Yes	No
Claims received after submission deadline	1	11
Claims amended by officers following audit work	3	9
Certified with a qualification	3	9

Additional services

Change management

- 36 The Council began a major programme of change in 2007/08 as set out in its strategy document 'Changing Kingston - Choosing our future'. This involves redesigning the way the Council delivers services and aims to build on existing strengths to deliver services effectively and within available financial resources.
- 37 We have undertaken work during 2007/08 at the Council's request to provide support by providing challenge at key stages in implementing the 'Changing Kingston - Choosing our future' strategic plan. This work is on-going and we will continue to assist the Council as it implements the next stage of this plan as set out in its revised medium term financial strategy 'Destination Kingston 2011'. The medium term strategy includes a spending savings target of £13m over the period 2008-2011. The Council has set a net budget of £114m for 2008/09 which includes a savings target of £5m for the year.
- 38 There are no matters arising from this work to date that we wish to bring to members' attention.

Looking ahead

- 39 A new public services' performance assessment framework, the Comprehensive Area Assessment (CAA) is currently being developed. 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. CAA 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.
- 40 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.
- 41 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

- 42 This Letter has been discussed and agreed with the Chief Executive. A copy of the Letter will be presented at the Audit Committee on 27 March 2008. Copies need to be provided to all Council members.
- 43 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 4 Reports issued

Report	Date of issue
Audit and Inspection Plan	April 2006
Annual Governance Report	September 2007
Opinion on Accounts	September 2007
Value For Money Conclusion	September 2007
Data Quality Report	December 2007
Best Value Performance Plan Report	December 2007
Supporting People Inspection Report	November 2007
Final Accounts and Interim Audit Report	January 2008
Annual Audit and Inspection Letter	March 2008

- 44 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 co-operation during the audit.

Availability of this Letter

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

Derek Elliott
Relationship Manager

March 2008