

Annual Audit and Inspection Letter

March 2007



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Royal Borough of Kingston Upon Thames

Audit 2005/2006

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Our overall summary

- 1 This letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council, from the corporate assessment and joint area review undertaken in 2006 and from a wider analysis of the Council's performance and its improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.
- 2 The letter is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 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;
 - the corporate assessment of the Council concluded that the Council is performing well and achieved an overall scored assessment of 3 out of 4 (1 is the lowest and 4 is the highest score);
 - we issued an unqualified opinion on its 2005/06 statement of accounts; and
 - we issued an unqualified opinion on the Council's arrangements for securing value for money during 2005/06.

Action needed by the Council

- 4 The key action for the Council is to implement appropriate actions to address the improvement areas highlighted in the corporate assessment.

How is the Council performing?

CPA overall assessment

- 5 The Council's overall CPA category is three stars (the range is zero to four 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. The detailed assessment for the Council is shown in Table 1 below.

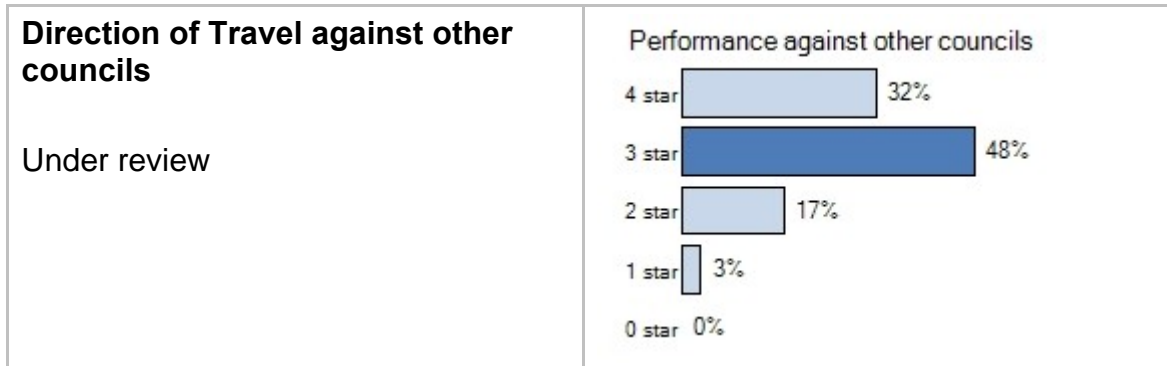
Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	TBA
Overall	3 stars
Current service performance	out of 4
Children and young people	4
Social care (adults)	3
Use of resources	3
Housing	3
Environment	3
Culture	2
Benefits	2
Corporate assessment/capacity to improve	3

(Note: 1= lowest, 4 = highest)

6 The Council's position in comparison to other council's is shown in Table 2 below.

Table 2 CPA comparison against other councils



Source: Audit Commission

Corporate assessment

- 7 We have undertaken a corporate assessment at the Council. The purpose of the corporate assessment is to assess how well the Council engages with and leads its communities, delivers community priorities in partnership with others, and ensures continuous improvement across the range of Council activities. The corporate assessment report was published in September 2006.
- 8 The Council achieved an overall score of 3 out of 4 in the corporate assessment. Our overall assessment was that Kingston Council is performing well.
 - The Council has a clear vision underpinned by a set of challenging long term ambitions linked to the medium term Community Plan.
 - There is a good performance culture that has contributed to delivering generally high quality, value for money services.
 - The Council provides good value for money across the services it delivers. There is a culture of delivering efficiency savings whilst maintaining the quality of services. The Council has secured £1 million of cashable savings per year since 2002, which are targeted to priority areas.
 - Political and managerial leadership is strong and respected both internally and externally. The Leader and the Chief Executive provide effective leadership on difficult issues.
 - The Council is a respected, strong and creative community leader, and works extensively in partnership with key stakeholders, the private and voluntary sectors and with communities.
 - Achievements are strong overall and outstanding in some services. These are recognised in services which matter the most to local people, such as in crime and the quality of the environment, and are in line with national priorities.

- Further improvements can be made by developing a corporate approach to asset management and consistent performance management arrangements within key partnerships.
 - The openness and transparency of key officer decisions could be improved. In particular, by implementing arrangements to record key decisions taken by officers under delegated authority to help ensure they are easily accessible and available for call-in.
- 9 Corporate assessments are normally aligned with a joint area review of services for children and young people (JAR). A separate JAR report was issued in September 2006. The JAR concluded that the overall effectiveness of the Council's children's services is outstanding. All services for children and young people are good or excellent and have had a very substantial impact on improving outcomes for almost all children and young people. A more detailed summary of the JAR is included in the corporate assessment report.
- 10 The corporate assessment report is available on the Audit Commission website at www.audit-commission.gov.uk.

The improvement since last year - our direction of travel report

- 11 We carried out an assessment of the Council's progress in improving services in October 2006. The Council has submitted an appeal against the assessment that is currently being considered by the Audit Commission. We will publish the Direction of Travel report once the appeal has been concluded.

Service inspections

- 12 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 District 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. These include:
- Ofsted;
 - Commission for Social Care Inspection (CSCI);
 - Benefits Fraud Inspectorate (BFI);
 - DfES; and
 - Local Government Office contact.
- 13 We share information and seek to provide 'joined up' regulation to the Council. There were no service inspections, except for the corporate assessment and JAR reported above, during 2006.

- 14 We received performance assessment for the Council from CSCI and BFI. A summary of their assessment is set out below.

CSCI performance assessment'

"The council has made good progress with the action plan to address the areas for improvement highlighted in last year's CSCI performance review report, which are mostly met. Outcomes for services users have improved. In particular, the timeliness of assessments and provision of services have improved. More people are helped to live at home, as evidenced by good and improving performance indicators for older people, mental health and physically disabled service users. Independent living is further promoted through the council achieving a good balance of services and improving the uptake of direct payments. The council makes optimum use of partnership working to improve cost effectiveness through the integration of services with health. Performance monitoring mechanisms are well established. Financial control is effective and linked to priorities. Staff vacancies and turnover have improved. The workforce is suitably trained.

Service outcomes for people with a learning disability should be improved as well as services for carers. Additional assessments and reviews should be offered to carers to ensure they receive an appropriate level of service. The financial pressures on the health economy are identified as a key risk area for service improvement and have already adversely affected, for example, the number of delayed transfers of care (although they are managed through a joint panel) and the establishment of an early intervention mental health service. The impact should continue to be closely monitored and service priorities agreed with health partners."

BFI performance assessment

"We concluded that Royal Borough of Kingston upon Thames met 2 of the 12 performance measures where the Department for Work and Pensions (the Department) had set a Standard and 63 of the 65 enablers. This resulted in the scores reflected below:

- *Performance Standards score Fair*
- *Audit Commission score 2 (overall 2005 score - 3)*

The council told us that the reduction in performance was due to the short-term effects of the significant restructuring of the council's Benefits service that followed a detailed operational review by the Head of Service in March 2005. Extensive system, procedural, organisational, resourcing and management changes had been implemented during 2005/06. Although this restructure will have real benefits for the service and its customers, the rate of change required to implement it had impacted directly on performance. However, the council told us that performance had improved in the first quarter of 2006/07."

Financial management and value for money

- 15 As your appointed auditors we reported our findings on the audit of the 2005/06 financial statements in the annual governance report that was issued to the Council on 28 September 2006 and presented to the Audit Committee on 5 October 2006. The report summarised the key issues arising from the audit of the statement of accounts and the assessment of the Council's arrangements for securing value for money.
- 16 We issued an unqualified opinion on the statement of accounts and the pension fund and an unqualified conclusion on the arrangements for securing value for money on 29 September 2006.
- 17 At the time of giving the audit opinion on the 2005/06 accounts we were unable to certify closure of the 2004/05 and 2005/06 audits due to questions from local government electors. We have now concluded on those issues and certified closure of the audits on 16 February 2007.

Use of resources

- 18 The findings of the auditor are an important component of the CPA framework. 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).
- 19 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as set out below.

Table 3 Use of resources assessment

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

(Note: 1 = lowest, 4 = highest)

- 20 The key issues arising from this work are highlighted in the use of resources report that was issued in November 2006. A summary of our findings is set out in Table 4 below.

Table 4 Use of resources key findings

Element	Summary findings
Financial reporting	There are generally sound arrangements for financial reporting at the Council. The draft accounts presented for audit contained a material error related to capital accounting. In other areas of the accounts officers provided working papers of a good quality and produced accurate and reliable information. Opportunities for further improvements to comply with best practice are being discussed with officers.
Financial management	The overall financial management arrangements at the Council are sound. A medium term financial strategy (MTFS) has been developed. The MTFS is updated annually. The key objectives within the performance plan are integrated into the MTFS. The Council has a good track record of maintaining spending within budget. Comprehensive budget reports are produced on a regular basis and include information on income and expenditure. An up to date asset management plan is under development by the Corporate Asset Management Group. This should be submitted for member approval when it has been completed.

Element	Summary findings
	Decisions to invest in major capital projects are based on capital project appraisals. Whole life costing should also be considered for significant capital projects.
Financial standing	The Council has a good track record of maintaining robust control over spending. A balanced budget is set and spending is maintained within budget. There is a reserves policy that is approved by members. Reserves are maintained in line with the policy. The Council's policy for reserves and balances is based on a thorough understanding of its needs and risks, and is properly and clearly reported to members.
Internal control	<p>The Council actively promotes probity and propriety in the conduct of its business and systems of internal control are generally sound, areas for improvement are set out below.</p> <ul style="list-style-type: none"> • The Council should introduce risk management training for both officers and members that covers aspects such as how to identify risk and monitor actions for mitigating risks. • Members with responsibility for risk management need to be actively involved in monitoring risk registers and ensuring that corporate risks are being managed. • The process of developing the assurance framework is underway, however, there is still work to do in linking the Council's strategic objectives to risks, controls and assurances.
Value for money	<p>The Council is a high performing Council with relatively low costs. Areas of relatively high and low spend are known and the reasons understood. The Council has targeted investment to improve services in priority areas and reduce costs in the longer term.</p> <p>The Council has an embedded value for money culture. Review and challenge to value for money has been strengthened and there is improved accountability between officer and member groups. The Council has processes in place to ensure that there is equity in access to services across the community.</p>

Financial standing

- 21 The Council has maintained sound financial standing. Net expenditure in 2005/06 was maintained within budget. For 2006/07 the Council is forecasting an underspend on the general fund of £481,000 on its approved net budget of £103.6 million, and a surplus of £113,000 on the housing revenue account, as reported in the March 2007 report to the Council Executive.

Pension fund

- 22 The net assets of the pension fund increased in 2005/06 to £292 million as at 31 March 2006, an increase of £59 million since 31 March 2005. The Council uses WM Performances Services to compare the returns achieved by its fund managers to the 'WM Local Authority Universe' benchmark. The return on investments in recent years has not achieved the benchmark set for investment managers. Officers have advised that a full review of these arrangements will be carried out in 2007.
- 23 The last actuarial valuation of the pension fund assessed the pension fund's assets and liabilities accrued in respect of pension benefits as at 31 March 2004. The valuation assessed the pension fund as being 64 per cent funded to meet future liabilities. The Council has been implementing increases in pension fund contributions, phased over three years from 1 April 2005, from 20.6 per cent to 24.4 per cent.
- 24 The next triennial actuarial valuation of the pension fund will be at 31 March 2007. The Council will need to consider its repose to actuarial recommendations.

Best value

- 25 We issued an unqualified report on the 2006/07 best value performance plan on 18 December 2006. The Council has sound management arrangements for ensuring data quality in the recording of performance information.
- 26 We tested a sample of nine performance indicators out of a total of 19 indicators highlighted by the Audit Commission as high risk, five best value performance indicators (BVPIs) and four non- BVPIs. One non-BVPI indicator was given a reservation. Two indicators required material amendments to the figures originally submitted.

Kingston theatre

- 27 Our previous letters have commented on the Council's support for establishing a theatre in Kingston by providing support to Kingston Theatre Trust (the Trust) with its plans to build and run a theatre.

- 28** The Council provided an unsecured loan facility of £0.9 million to the Trust in 2000. A further loan facility of £0.9 was provided in 2006, of which £0.5 has been drawn. The cost of fitting out the theatre is currently estimated at £6.4 million.
- 29** The Council's Executive members agreed at their meeting on 20 June 2006 to establish, together with Kingston University, setting up a limited liability partnership for the purpose of fitting out the theatre. The contract works for fitting out are underway and the Council expects these to be completed in late 2007.
- 30** As stated in our previous letters this is a high risk project. The Council must continue to exercise robust scrutiny of all risks and benefits.

Grant claims

- 31** We have now certified most of the claims for 2005/06. A summary of the results of our work on grant claims is set out in Table 5 below.

Table 5 Grant claims submission and certification

	Yes	No
Claims received on time	11	5
Claims amended by officers following audit work *	11	4
Qualification letter issued *	5	10

* Certification work on one claim is currently in progress and has not been certified.

Conclusion

- 32 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Audit Committee on 13 March 2007 and to the Council Executive on 20 March 2007.
- 33 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

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

Derek Elliott
Relationship Manager