

## ITEM NO. 9

<b>DECISION-MAKER:</b>	COUNCIL		
<b>SUBJECT:</b>	ANNUAL AUDIT AND INSPECTION LETTER 2007		
<b>DATE OF DECISION:</b>	19 <sup>TH</sup> MARCH 2008		
<b>REPORT OF:</b>	LEADER OF THE COUNCIL		
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### STATEMENT OF CONFIDENTIALITY

None

### SUMMARY

The attached Annual Audit & Inspection Letter is an important external assessment of the Council's overall performance which has culminated in a 4 Star (excellent) rating and "Improving Well" judgement under the 2007 Comprehensive Performance Assessment.

The letter attached at Appendix 1 highlights the results of the statutory audit of the Council's 2006/7 Financial Accounts, as well as the Corporate Assessment / Joint Area Review, Direction of Travel assessment and other external reviews which have been carried out as part of the year on year judgement of the progress made by the Council across all areas of its activities.

This report formally receives the 2007 Annual Audit & Inspection Letter from the Audit Commission, refers it to the Standards & Governance Committee and highlights a number of areas where further improvements could be made to ensure that the recommended actions are progressed during 2008/9.

### RECOMMENDATIONS:

- (i) To formally receive the 2007 Audit Commission's Annual Audit & Inspection Letter.
- (ii) To refer the attached Annual Audit & Inspection Letter to the Standards & Governance Committee.
- (iii) To endorse the proposed actions set out in Appendix 2 to ensure that key actions identified within the Annual Letter continue to be progressed.

### REASONS FOR REPORT RECOMMENDATIONS

1. The recommendations reflect the arrangements for the receipt of the Audit Commission's Annual Audit and Inspection Letter which were agreed by Full Council on the 23<sup>rd</sup> June 2004.

### CONSULTATION

2. An initial draft of the Annual Audit and Inspection letter was received by the Chief Executive, Solicitor to the Council, Executive Director of Resources and the Head of Corporate Policy and Performance on the 13<sup>th</sup> February. Following clarification of some of the issues contained within the draft letter and feedback from officers, appropriate amendments have been incorporated

by the Audit Commission into the document which is attached at Appendix 1 to this report.

3. All members have also been invited to attend a briefing from the Audit Commission prior to the start of today's Full Council meeting to run through the key issues contained within the letter and to ask any questions.

### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

4. Not to submit the report. However, this would not comply with the arrangements previously requested by members to enable a debate to take place on the content of the annual letter and for questions to be asked of the Audit Commission in a public forum.

### **DETAIL**

5. The final version of the 2007 Annual Audit and Inspection Letter was received by the Council on the 20<sup>th</sup> February 2008. Under Regulation 19 of the Accounts and Audit Regulations 2003 the Annual letter must be made available to all Members of the Council and other key stakeholders.

6. The letter has therefore been placed on the Council's website at [www.southampton.gov.uk/thecouncil/thecouncil/councilperformance/annualaudit.asp](http://www.southampton.gov.uk/thecouncil/thecouncil/councilperformance/annualaudit.asp) and is formally appended to this report. In addition members' attention has been directed to copies of the document on the website through the Members Bulletin.

7. It should be noted that the publication of the 2007 Annual Audit and Inspection Letter at this point in time allows the Audit Commission to comment on the overall direction of travel and service improvements made by the Council since the last Annual letter was published in March 2007. This review of progress has resulted in a very positive judgement for Southampton with the Audit Commission commenting that:

*"The Council's overall performance across a range of services is good and improving and the judgement following last year's corporate assessment is that the Council is well managed. The combination of these factors reflects a four-star assessment for the first time."*

8. The Annual Audit and Inspection letter attached at Appendix 1 sets out the Audit Commission's conclusions and any significant issues arising from the audit of the Council's 2006/7 accounts as well as other external inspections carried out within the Council up to December 2007.

9. The Auditor's conclusions relating to the 2006/7 audit of the accounts and value for money judgement have been reported to the Standards and Governance and Audit Committees but they are repeated within the Annual Audit and Inspection Letter for completeness to ensure that all members are aware of the issues that have been raised.

10. In practice the Annual Audit and Inspection Letter provides an important external assessment of the City Council's progress between 2006 and 2007 and contains the formal notification of the Council's 2007 Comprehensive Performance Assessment (CPA) rating.

11. The attached letter therefore indicates that under the 2007 "Harder Test" CPA process the Council is judged by the Audit Commission to be *"improving well and performing at the 4 (out of 4 star) – excellent level"*.

12. In addition the Audit Commission state in the letter that;-  
*“The Council has a consistent track record in improving outcomes for its residents and communities. Based on a basket of national performance indicators (PIs) relating to shared priority and service areas, 69 per cent showed improvement in 2006/07 which shows an above average level of improvement compared to similar councils.....The Council is performing well in improving outcomes for local people across its five priority areas ... ”.*
13. In addition the Council’s 2007 individual service assessment scores improved for Culture (to a maximum 4) and Benefits (to a 3) whilst the assessment for Environment declined slightly to a 3. In practice it is the combination of all of the Council’s key service areas achieving at least a score of 3 at the end of 2006/7, together with the results of the recent Corporate Assessment rating, which has resulted in the Audit Commission’s judgement that Southampton is a four- star or “Excellent” authority for the first time since the CPA process was introduced in 2002.
14. The 2007 Annual letter highlights a number of notable successes by the Council over the past twelve months including improving customer satisfaction, maintaining its three-star rating for adult social care and services for children and young people; improving education attainment results, delivering more affordable homes than planned; achieving faster decision-making on benefits claims; improving kerbside recycling, and reducing crime levels in the city in partnership with other organisations. However, the letter also identifies some areas for improvement and six key actions are identified that require member’s on-going attention as follows:-
  - To increase the level of income collection from council tax and rents to the average of that of similar councils.
  - To reduce the level of school absences so that the council is no longer designated as a Persistent Absence Authority.
  - To improve the stability of placements for looked after children.
  - To address the social care income system interface weaknesses and reconcile the benefit and revenues system with the financial ledger on a monthly basis.
  - To fully integrate financial and performance reporting.
  - To achieve planned savings from procurement.
15. Whilst the Council’s 2007 4 Star CPA result therefore places it amongst the best performing Councils in the country, there is no room for complacency and to demonstrate the Council’s on-going commitment to securing continuous improvement, the Annual Audit and Inspection Letter has been thoroughly analysed by officers to identify all of the areas where further action could be taken to enhance the Council’s current level of performance.
16. The results of this exercise are summarised in Appendix 2 which represents an abstract of all of the issues included within the 2007 Annual Audit and Inspection Letter and suggests, where appropriate, a lead executive member or other decision maker for each item included within the letter to ensure that all of the issues are progressed in time for the next annual audit in the Autumn of 2008.
17. In addition the Annual Audit and Inspection letter outlines a number of other issues where further improvement action could be considered by the Council which are highlighted in Appendix 2

18. It should be noted that many of the issues highlighted in Appendix 2 have been actioned and improvement plans are in place. However in other areas plans are still under development and some of the proposed improvement areas, such as educational attainment, will only be secured by sustained improvement by the Council and its partners over a number of years. These on-going improvement measures will need to be reflected in the 2008/9 Corporate Improvement Plan as necessary to enable progress to be monitored by the Overview and Scrutiny Management Committee during the course of 2008/9.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

19. None.

### **Revenue**

20. The development and implementation of action plans to respond to the Annual Audit and Inspection Letter forms part of the Council's on-going performance improvement work and can therefore be met from existing resources.

### **Property**

21. None.

### **Other**

22. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

23. The duties and powers of auditors appointed by the Audit Commission are set out in the Local Government Act 1999.

### **Other Legal Implications:**

24. None.

## **POLICY FRAMEWORK IMPLICATIONS**

25. None directly. However the content of the Annual Audit and Inspection Letter will play a key role in the development of the Council's Corporate Improvement Plan for 2008/9.

## **SUPPORTING DOCUMENTATION**

### **Appendices**

1.	The Annual Audit & Inspection Letter 2007
2.	Analysis of Issues Raised in the Annual Audit & Inspection Letter 2007

### **Documents In Members' Rooms**

1.	None
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### **Background Documents**

Title of Background Paper(s)

Relevant Paragraph of the Access to

Information Procedure Rules / Schedule  
12A allowing document to be  
Exempt/Confidential (if applicable)

1.	None	
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**Background documents available for inspection at:** N/A

**FORWARD PLAN No:** Not Applicable **KEY DECISION?**

No

**WARDS/COMMUNITIES AFFECTED:**

None directly, however sustained improvements in the overall performance of the Council and the delivery of key services will have a beneficial effect on residents living in all wards in the City.