



## AUDIT COMMITTEE

1 February 2005

AGENDA  
ITEM:

### ANNUAL AUDIT LETTER 2002/03 – PROGRESS REPORT

Ward(s): ALL

Forward Plan: Yes

Portfolio: All

Service Area: Corporate perspective covering all service areas

#### Summary of report:

The annual audit letter for 2002/03 from the Audit Commission was presented to this committee on 5 January 2004, with a follow up progress reports on 16 February and 22 July. This report provides a further progress update against the significant issues raised in the audit letter and uses the 'traffic light' system to categorise performance.

#### Background Papers:

- Audit letter and the audit and inspection reports listed at page 15 of the audit letter
- Corporate Performance Assessment, self assessment – February 2004
- Continuous improvement plan, September 2003 – March 2004
- CPA Improvement Plan – July 2004

#### Recommendations

- To note the progress against the key issues identified in the annual audit letter 2002/03.

Signed .....

Executive Director Carole Evans

Date: 21 January 2005

## **Resource and Legal Considerations**

The responsibilities of Audit Commission inspectors are detailed in section 10 of the Local Government Act, 1999. Auditor's responsibilities are summarised in the Audit Commission's statement of key responsibilities of auditors; paragraph 33 states that the audit letter should be distributed to members and this was affected electronically.

## **Citizen Impact**

The audit letter was addressed to members and officers for the sole use of the audited body. However, on being reported to this committee it became a public document and thereby provided a useful independent summary of key issues and performance of the council. This shows the progress made which is of interest to citizens and other stakeholders.

## **Environment Impact**

None directly relating to this report

## **Performance Management and Risk Management Issues**

The audit letter provided an independent summary of the council's performance by the Audit Commission. It outlined the key issues for the council and is a helpful way of objectively assessing (along with other material) how the council is progressing. The audit committee's remit includes receipt of the audit letter and responsibility for reviewing progress against any key actions arising from it.

## **Equality Implications**

None directly relating to this report

## **Consultation**

The draft audit letter is routinely discussed with the executive management team.

## **Contact Officer:**

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## 1. OVERVIEW

- 1.1 The annual audit letter 2002/03 was presented to this committee on 5 January 2004 by John Gregory, the council's District Auditor and relationship manager. It summarised the conclusions and significant issues arising from all of the Audit Commission's work in Walsall during 2003, including the 2002/03 audit and inspection programmes.
- 1.2 Follow up reports were presented to Audit Committee on 16 February 2004 and 22 July 2004, showing progress against all of the significant items identified in the audit letter as requiring follow up action. This report provides a further progress update as at 14 January 2005.
- 1.3 The attached **Appendix** shows progress to date against all of the significant items identified in the audit letter as requiring follow up action.

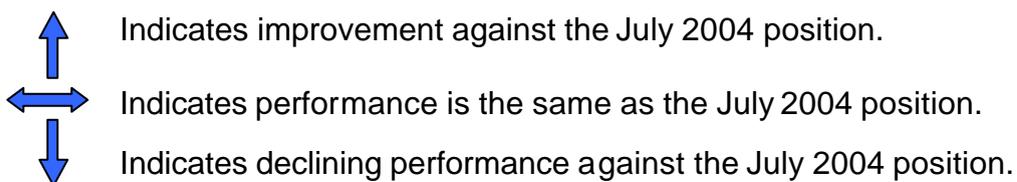
- 1.4 The traffic light system is used in order to categorise performance as follows:

 **Green** – means performance is on track to meet the target, objective or milestone identified in the agreed action plan

 **Amber** – means performance may not reach the agreed target, objective or milestone in accordance within the timescales in the action plan, however there is no significant slippage

 **Red** – means performance will not reach the agreed target, objective or timescale and further work is needed to agree an alternative action plan.

- 1.5 In addition, the blue arrows show performance compared with progress previously reported to Audit Committee on 22 July 2004



- 1.6 The most significant issue of concern relates to performance against the beacon index of key performance indicators (item 4 in Appendix). The council recognises that further improvements need to be made to overall performance management arrangements, to ensure more PIs show improvement than that achieved in 2003/04 and that more PIs achieve their stated target. This was confirmed in the CPA corporate assessment report published in May 2004. These issues have already been addressed by actions contained in the Council's CPA improvement plan. These include externally supported workshops in the autumn specifically tackling target setting, so that in future targets are more realistic and robust. Work is also underway to further embed the performance management framework within the council by establishing a corporate performance network group which will have a senior representative from each directorate to champion performance issues in their area.

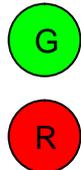
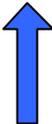
## ANNUAL AUDIT LETTER 2002/3 – FOLLOW UP PROGRESS REPORT FEBRUARY 2005

Page No	Action Identified in Audit Letter	Lead Officer	Progress against agreed objectives/targets (as at 14 January 2005)	Traffic Light	Performance compared to July 2004
4	<p><b>1. Response Plan to Corporate Governance re-inspection overarching priorities</b></p> <ul style="list-style-type: none"> <li>• <b>Developing the vision</b></li> <li>• <b>Political governance arrangements</b></li> <li>• <b>Human resources and organisational culture</b></li> <li>• <b>Performance improvement in key services</b></li> </ul>	Jamie Morris	<p>Response plan signed off by Interim Board</p> <ul style="list-style-type: none"> <li>• Vision approved by Cabinet on 21 January, major communication strategy currently being launched</li> <li>• Extensive budget consultation undertaken; WBSP reshaped and LSP Director appointed; Commissioning Executive established; Constitutional framework for LNP's approved by Council 19 April 2004</li> <li>• Member development programme reviewed – next phase January to April 2004; Management Development Strategy agreed; IPM implemented; New Equality Working Group established, aiming for equality standard levels 2 &amp; 3.</li> <li>• Many examples including GCSE results rising; Social Services are now '1 star' service; leisure services fair with promising prospects; improved waste recycling rates; financial stability and improvements in council tax collection, NNDR and treasury management</li> </ul>		

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5	<b>2. Management Development Strategy</b>	Carol Brown	Strategy approved in September 2003 and, while it is too early to assess its effectiveness, it is soundly based and the outcomes from development centres are built into the individual performance management process. All managers now briefed on IPM with development plans in place.		
5	<b>3. Clarify roles and responsibilities in relation to strategic partnerships</b>	Carole Evans	Strategic partnership with SERCO 'Education Walsall' launched November 2003. WBSP reshaped and LSP Director appointed; Commissioning Executive established, chaired by Executive Director (Finance, Law, and Performance). Strategic Housing Partnership established to work more effectively with Housing providers. Local Transport Strategy and Crime & Community Safety Strategy established. Accountable Body agreement in place with New Deal for Communities.		

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6	<b>4. Overall Performance on Best Value Performance Indicators (BVPI's)</b> <ul style="list-style-type: none"> <li>• Education</li> <li>• Social Services</li> <li>• Environment</li> <li>• Leisure</li> <li>• Benefits</li> <li>• Housing</li> </ul>	EMT General Managers Rob Flinter	Quarterly progress reports to Cabinet throughout year. Final outturn performance against Beacon Index of Key Performance Indicators for 2003/04 showed that : <ul style="list-style-type: none"> <li>• 57% of PI's had improved from 2002/03</li> <li>• 42% of PI's had declined since 2002/03</li> <li>• 1% of PI's showing no change</li> </ul>		
7	<b>5. 'Putting the Citizen First' – strategic partnership for the provision of IT</b>	Jamie Morris David Johnson	Procurement of strategic partner for 'putting the citizen first' commenced with issue of ISOP August 2003. Cabinet decision on three short-listed companies made in March 2004. ITN closing date June 2004, three tenders received. Fujitsu appointed as preferred supplier December 2004 and aiming for partnership to commence		

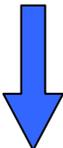
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			April 2005.		
7	<b>6. Establishment of Urban Regeneration Company</b>	Tim Johnson	Walsall Regeneration Company has, since its formal incorporation in March 2004, progressed a series of key activities. This has included the appointment of a permanent Chief Executive, the commissioning of a regeneration framework which will set out the long term investment plan for the company and the progression of a number of transformational projects including Walsall Waterfront; the Darlaston Strategic Development Area and the Learning and Business Campus.		
7	<b>7. Corporate Governance re-inspection</b> <ul style="list-style-type: none"> <li>• Embedding cultural change</li> <li>• New systems and processes</li> <li>• Maintaining momentum post recovery</li> <li>• Improved working with the local strategic partnership</li> <li>• Development control decision making</li> <li>• Community engagement</li> </ul>	Jamie Morris	Detailed progress reports contained in CPA self assessment, February 2004 and Continuous Improvement Plan presented to Interim Board. Other specific highlights include <ul style="list-style-type: none"> <li>• Implementation of Member and Management development programmes</li> <li>• Major improvements to internal communications (team briefing, intranet, staff newsletter)</li> <li>• Organisational development strategy due by April 2004</li> </ul>		

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	<ul style="list-style-type: none"> <li>• <b>More positive member culture and behaviours</b></li> </ul>		<ul style="list-style-type: none"> <li>• WBSP reshaped and LSP Director appointed</li> <li>• Commissioning Executive established</li> <li>• Implementation of Development Control Committee from March 2004</li> <li>• LNP's constitutional framework approved by Council 19 April, following extensive community consultation, first meetings of LNP's July 2004, with subsequent quarterly meetings</li> <li>• Unified (officer and cabinet) leadership enhanced; regular meetings of EMT and Cabinet, EMT and opposition; use of IDeA Leadership Academy and councillor mentors</li> </ul>		
8	<b>8. Leisure Services Inspection September 2003</b> <ul style="list-style-type: none"> <li>• <b>Ensuring consistency of service delivery</b></li> <li>• <b>Bringing all facilities up to modern standards</b></li> <li>• <b>Improving the availability of information about the service</b></li> <li>• <b>Improving the representation of</b></li> </ul>	Ishbel Murray Tim Challans	<p>Inspection concluded that Leisure services in Walsall are a 'fair' 1-star service that has promising prospects for improvement. Action Plan approved by Cabinet 11 February 2004.</p> <p>Further quarterly progress reports will be presented to Education, Lifelong Learning and Culture Scrutiny and Performance Panel.</p> <p>Specific actions completed by 31 March 2004 include:</p>		

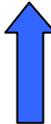
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	<ul style="list-style-type: none"> <li>• <b>disadvantaged groups among users</b></li> <li>• <b>Compliance with Disability Discrimination Act</b></li> <li>• <b>Demonstrate cost effectiveness and value for money</b></li> </ul>	<p>Ishbel Murray</p> <p>Tim Challans</p>	<ul style="list-style-type: none"> <li>• Review of service plans</li> <li>• Service Plan 2004-2009</li> <li>• Equality Action Plan</li> <li>• Facilities Action Plan</li> <li>• School Sports Strategy</li> <li>• Cost analysis of service functions</li> <li>• Determination of service objectives</li> <li>• Information Technology Action Plan</li> </ul> <p>Actions still in progress:</p> <ul style="list-style-type: none"> <li>• Marketing Strategy – to be developed in conjunction with corporate marketing and communications strategy</li> <li>• Cultural Strategy – no longer a statutory requirement to have a cultural strategy. However work has been commissioned on the establishment of a cultural identity for the borough</li> <li>• Procurement of Leisure Management – work is still to be commissioned to determine the options for the Leisure Management function in the Borough.</li> </ul>	<p style="text-align: center;"></p> <p style="text-align: center;"></p>	<p style="text-align: center;"></p> <p style="text-align: center;"></p>

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8	<b>9. Baseline IT Risk Assessment (BITRA)</b> <ul style="list-style-type: none"> <li>• <b>Implementing a new ledger system</b></li> <li>• <b>Seeking a partner for 'putting the citizen first'</b></li> <li>• <b>Re-establishment of a corporate IT steering group</b></li>   <li>• <b>Internal Audit Review of information security</b></li> <li>• <b>Ensuring systems managed or developed by individual service area comply with corporate standards</b></li> <li>• <b>Ensuring internal audit's computer audit plans fully reflect the risks in a rapidly changing environment</b></li> </ul>	<p>Vicky Crowshaw</p> <p>David Johnson</p> <p>David Blacker</p> <p>David Johnson</p> <p>David Blacker</p>	<ul style="list-style-type: none"> <li>• ORACLE financials and i-procurement system implemented August 2004</li> <li>• Tenders received July 2004 from three short-listed potential partners for 'putting the citizen first'</li> <li>• CPA action plan target to produce, consult and publish all embracing ICT strategy achieved November 2004</li> <li>• Information security review completed</li>   <li>• Corporate systems standards to be addressed in ISS 3 year strategic plan 2004-2006</li>   <li>• External partner has helped develop risk assessed computer audit plan, focused on strategic risks and covering a 5-year period.</li> </ul>		

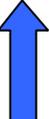
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9	<b>10. Improved Financial Standing; progress with Medium Term Financial Strategy</b>	Carole Evans	Budget approved by Council March 2004. Highlights include <ul style="list-style-type: none"> <li>• Policy led to deliver vision for Walsall</li> <li>• Informed by extensive public &amp; stakeholder consultation</li> <li>• Strong and stable finances</li> <li>• Service growth with investment in important local priorities</li> <li>• Low council tax increase of just 2.9%</li> </ul>		
9	<b>11. Debt collection performance</b> <ul style="list-style-type: none"> <li>• Council Tax payers</li> <li>• Business ratepayers (NNDR)</li> <li>• Housing rents</li> <li>• Government departments</li> <li>• Sundry debtors</li> </ul>	Elizabeth Kennedy  Vicky Crowshaw	Improved council tax collection rate in 2003/4 compared to 2002/3 (up from 96.3% to 96.8%). Slight reduction in NNDR collection rate (down from 98.1% to 97.6%)  Housing rents now the responsibility of WHG and WATMOS following LSVT of Housing Stock  Small reduction in levels of outstanding sundry debtors and from Government departments	 	

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10	<b>12. Systems of Internal Financial Controls</b> <ul style="list-style-type: none"> <li>• Certification of journals</li> <li>• Revaluation of assets in 2003/4 to comply with SORP and FRS15</li> <li>• Procedures for disposal of fixed assets (guidance &amp; implementation)</li> </ul>	Vicky Crowshaw	Agreed actions implemented <ul style="list-style-type: none"> <li>• Guidance issued to Officers on compliance with journal authorisation and processing procedures; routine reminders regularly sent to finance staff; spot checks of journals over £50k by Head of Corporate &amp; Strategic Finance</li> <li>• Arrangements in place for all assets to be re-valued by 31.03.04, with revaluations included in 2003/04 accounts. A 5 year review programme is being introduced</li> <li>• Best consideration is ensured by sign off protocol; changes to CPR's effective May 2003 and Land Sales protocol introduced June 2003</li> </ul>		
10	<b>13. Strengthen arrangements for the administration of claims for specific government grants</b> <ul style="list-style-type: none"> <li>• Officers to compile claims in accordance with guidance and grant conditions</li> <li>• Grant claims coordinator should have follow up meetings with officers whose grants have been</li> </ul>	Vicky Crowshaw	Agreed actions implemented including: <ul style="list-style-type: none"> <li>• Guidance notes, reminders and certification instructions issued to officers</li> <li>• Training Workshops held in May and June for key project and finance staff</li> <li>• Grants co-ordinator initiates follow up action relating to late claims and the tracking of errors/audit reports, with escalation to Head of</li> </ul>		

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	<p>reported on to ensure issues raised are dealt with</p> <ul style="list-style-type: none"> <li>A central register of grants receivable should be kept</li> </ul>		<p>Corporate &amp; Strategic Finance when required to ensure corrective action</p> <ul style="list-style-type: none"> <li>Grants co-ordinator already maintains a register</li> </ul>		
10	<p><b>14. Risk Management</b></p> <ul style="list-style-type: none"> <li>Establish register of directorate and service risks</li> <li>Plans to embed risk management into normal management practice</li> </ul>	Rob Flinter	<p>Risk management champions established for all directorate and service areas, with risk registers established by 31 March 2004</p> <p>Risk management moved to Performance Management function so as to embed in to mainstream practice via service planning and IPM</p>		
11	<p><b>15. Delivery of Internal Audit Plan (90% target)</b></p>	David Blacker	93% of jobs in audit plan delivered, exceeding 90% target		
11	<p><b>16. Arrangements for pooled budgets with NHS bodies</b></p> <ul style="list-style-type: none"> <li>Learning disability agreement to be in comprehensive and clear single document</li> </ul>	James Walsh	<p>Single document agreement revised that responds to the issues raised in audit letter report to Cabinet 21/1/04</p> <p>Specific item in the agreement on grant conditions. Will only apply to ring fenced grants</p>		



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13	<p><b>18. Statement of Accounting Standards (SAS) 610 'Report to those charged with governance'</b></p> <ul style="list-style-type: none"> <li>• There is a need for the council to improve quality assurance of the final accounts preparation</li> </ul>	Vicky Crowshaw	The final accounts guidelines were strengthened to reflect this during the 2003/04 closedown process		
13	<p><b>19. Best Value Performance Plan Audit follow up. The Performance Indicator Group should ensure that:</b></p> <ul style="list-style-type: none"> <li>• Officers have read and understood the definitions and detailed guidance</li> <li>• The Council has systems in place to capture the data accurately and in line with the definition</li> <li>• All evidence used to compile a performance indicator is retained</li> </ul>	<p>Rob Flinter</p> <p>Andy Burns</p>	<ul style="list-style-type: none"> <li>• PIG meeting in December 2003 attended by District Auditor. Directorates asked to examine/review all PI's at risk – "qualifieds", ones with problems in last audit, new &amp; changed PI's for 2003/04</li> <li>• Action plans called for/reviewed via PIG</li> <li>• DA offered advice/support prior to audit in 2004</li> <li>• Internal pre-audit checks carried out prior to publication of 2003/4 outturn.</li> </ul>		

ANNUAL AUDIT LETTER 2002/3 – FOLLOW UP PROGRESS REPORT FEBRUARY 2005

**Key to abbreviations used in this Appendix:**

- **CCDDA:** Community Care Delayed Discharges Act
- **CPA:** Corporate Performance Assessment
- **CPR's:** Contract Procedure Rules
- **DA:** District Auditor
- **EMT:** Executive Management Team
- **IDeA:** Improvement & Development Agency
- **IPM:** Individual Performance Management
- **ISS:** Information Systems and Services
- **ITN:** Invitation to Negotiate
- **LNP's:** Local Neighbourhood Partnerships
- **LSP:** Local Strategic Partnership
- **LSVT:** Large Scale Voluntary Transfer (of Housing Stock)
- **NNDR:** National Non-Domestic Rates
- **ODPM:** Office of the Deputy Prime Minister
- **PIG:** Performance Improvement Group
- **WBSP:** : Walsall Borough Strategic Partnership
- **WHG:** Walsall Housing Group
- **WATMOS:** Walsall Association of Tenant Management Organisations