

Annual Audit and Inspection Letter

London Borough of Richmond upon Thames

Audit 2007/08

March 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

- 1** Richmond upon Thames Council is improving strongly. Performance across priority services is strong, including children and young people, housing, culture and housing benefits. The Council maintains its strong focus on sustainability and is delivering wider community outcomes through its established partnerships, for example tackling inequalities in priority areas of the borough. Momentum should be maintained in delivering improved outcomes in older people's services, particularly in terms of promotion of independent living and health and emotional well-being and maintaining personal dignity and respect. Securing sustained improvement in standards of street cleanliness also remains a key challenge.
- 2** The Council continues to perform well in its use of resources and delivers excellent value for money. It has good financial stability and is developing its corporate capacity to support further improvement in services. The Council is working with partners to develop its support to the local economy and businesses during the current economic downturn.
- 3** Your appointed auditor gave an unqualified opinion on the Council's statement of accounts for the year ended 31 March 2008. The auditor's conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources was also unqualified. The Council's data quality management arrangements were assessed as adequate, with good performance in Adult and Housing but inconsistent arrangements elsewhere.

Action needed by the Council

- 4** The Council should:
 - continue to strengthen the Council's corporate capacity building on the steps already taken;
 - improve the Council's data quality management arrangements;
 - continue to work to improve performance management systems, integrating business and financial planning and ensuring the involvement of Members; and
 - ensure continued focus on promotion of independent living for older people and improvement in local environmental standards such as street cleanliness.

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 2007/08 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 Your appointed auditor is 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, your appointed auditor reviews and reports 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 2007/08 audit and inspection work at the end of this letter.

How is Richmond upon Thames Council performing?

11 The Audit Commission’s overall judgement is that Richmond upon Thames Council is improving strongly and we have classified Richmond upon Thames Council as four star 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.

Figure 1 Overall performance of councils in CPA



Percentage figures may not add up to 100 per cent due to rounding

Source: Audit Commission

How is Richmond upon Thames Council performing?

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment 2008	Assessment 2007
Direction of Travel judgement	Improving strongly	Improving well
Overall	4 stars	3 stars
Corporate assessment/capacity to improve	3	3
Current performance		
Children and young people*	4	4
Social care (adults)*	3	3
Use of resources*	3	3
Housing	4	4
Environment	3	2
Culture	4	4
Benefits	4	4

(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 Richmond Council is improving strongly. Two-thirds of performance indicators have improved and more than forty per cent of performance indicators are in the best quartile nationally. Performance across priority areas is strong. The Council has high performing services in relation to children and young people, housing, culture and housing benefits. Adult social care services continue to deliver improved outcomes overall and work is in progress to increase opportunities for independent living. With its partners the Council has a strong focus on sustainability, achieving affordable homes targets, while continuing to preserve and enhance conservation areas. Recycling rates are improving, although achieving improvement in standards of street cleanliness remains a challenge. The Council is delivering wider community outcomes through its established partnerships and is tackling inequalities through its community development work in priority areas of the borough. Levels of crime are decreasing overall with Richmond remaining the lowest crime borough in London. The Council continues to deliver excellent value for money. It has a focus on achieving sustained improvements across services, and is developing its corporate capacity to support these improvements.

How is Richmond upon Thames Council performing?

Service inspections

- 13** There has not been an inspection by the Audit Commission in 2008.
- 14** An important aspect of the role of the Comprehensive Area Assessment Lead is to work with other inspectorates and regulators who also review and report on the Council's performance. CAALs share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.
- An annual performance assessment of children's services.
 - An annual performance assessment of adult social care services.
 - An annual performance assessment of benefits service.
- 15** A summary of the overall judgements for each assessment are detailed in the paragraphs that follow.

Services for children and young people

- 16** Ofsted's annual performance assessment of Richmond's services for children and young people judged their overall effectiveness at a grade 4 (out of a possible 4). The Council has maintained 'excellent' services in relation to children and young people, with 'excellent' capacity to improve. The Council's contribution to improving outcomes in the areas of staying safe, making a positive contribution, and achieving economic well-being was assessed as 'excellent' and for being healthy and enjoying and achieving it was assessed as 'good'. The proportion of young people between the ages of 14 and 19 engaged in education, employment or training is excellent. Academic attainment is high, particularly for those at Foundation Stage, Key Stage 1 and Key Stage 2. The full assessment can be accessed via the inspectorate's website at www.ofsted.gov.uk.

Adult social care services

- 17** The Commission for Social Care Inspection's annual performance assessment of adult social care services judged there to be 'good' delivery of outcomes with 'promising' capacity to improve services. For the following outcomes, the Council's contribution was assessed as 'good': improved quality of life, making a positive contribution, increased choice and control, freedom from discrimination and harassment, and economic well-being. Improved health and emotional well-being and maintaining personal dignity and respect were assessed as 'adequate'. The service sustained a two star rating overall (out of a possible 3 stars). The full assessment can be accessed via the inspectorate's website, www.csci.gov.uk.

Benefits services

- 18** The assessment of the benefits service concluded that the Council achieved a rating of 4 (out of a possible 4). The full assessment can be accessed via the inspectorate's website www.audit-commission.gov.uk.

The audit of the accounts and value for money

- 19** Your appointed auditor, PKF (UK) LLP, has reported separately to the Statutory Accounts Committee and the Audit Committee on the issues arising from the 2007/08 audit and have issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 30 September 2008: and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Accounts

- 20** The audit of the accounts required a correction in the published Statement of Accounts for the treatment of reductions in the value of tangible fixed assets that had been revalued in the year. This resulted in a reduction of £6.8 million expenditure charged as impairments on fixed assets to the Income and Expenditure account, with a compensating adjustment in the Statement of Movement on the General Fund Balance. Overall, this did not impact on the General Fund balance.

Use of Resources

- 21** 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).
- 22** For the purposes of the CPA, PKF (UK) LLP has assessed the Council's arrangements for use of resources in these five areas as shown in Table 2.

Table 2

Element	Assessment 2008	Assessment 2007
Financial reporting	3	3
Financial management	3	3
Financial standing	3	3
Internal control	3	3
Value for money	4	4
Overall assessment	3	3

Note: 1 – lowest, 4 = highest

Financial reporting

- 23 Financial reporting has been assessed as performing well, with good arrangements in place for the production of the annual Statement of Accounts and promoting external accountability.
- 24 The Annual Report includes general commentary on performance and summary financial information although the level of detail provided no longer suggests best practice. Improvements in stakeholder reporting could be achieved by the inclusion of a balanced Operating and Financial Review with information about financial and operational performance against the key strategic priorities and key performance indicators.

Financial management

- 25 Financial management has been assessed as performing well. There is a clear thread throughout the corporate financial planning processes from the corporate priorities through to financial and resource planning, and this is supported by directorate plans and other strategic plans.
- 26 There are good arrangements in place to manage performance, with regular monitoring of financial performance by officers, Portfolio holders and Overview and Scrutiny Committees. Financial monitoring reports and performance reports are provided quarterly showing progress against the Corporate Plan targets. The financial performance reports make reference to performance issues where these impact on the Council's budgets, but there is scope to better integrate the reporting of overall financial and operational performance.
- 27 The Capital Strategy and Asset Management Plan are linked to the corporate objectives. While the Asset Management Plan does provide a framework for asset usage and future developments, it could be improved through better integration with the Corporate Plan and service plans, use of asset management performance indicators, comprehensive information on asset efficiencies and costs, and a framework for challenging and monitoring targets for improvement.

Financial standing

- 28** Financial standing has been assessed as performing well, and the Council manages its spending within its available financial resources and budgets have been set with regard to sustainable increases in council tax levels. There are sound arrangements to maintain financial standing and to manage cost pressures.

Internal control

- 29** Internal control has been assessed as performing well. The Council has good risk management arrangements and the risk management strategy is updated annually. There is an effective Internal Audit function that has a wide role in assessing and providing assurance on the effectiveness of internal controls, and the Council undertakes an annual effectiveness review of its system of internal control.
- 30** The Council promotes an anti-fraud and corruption culture, has put in place member and officer codes of conduct, a register of interests, gifts and hospitality, anti-fraud and whistle blowing policies.

Value for money

- 31** Value for money provided by the Council has been assessed as performing strongly, with overall costs being relatively low compared to the nearest neighbours, combined with high levels of service performance.
- 32** There are good arrangements for continuing to drive improvements in value for money and the Council has exceeded its Gershon savings targets to date. The arrangements for driving value for money should now look to a wider focus on savings and efficiencies available through partnership working and the greater focus on area based joint-working.
- 33** The Council is putting in place a number of measures to strengthen corporate performance management arrangements and there is a clear recognition of what needs to be address to embed these. The report of the Co-ordination, Finance and Performance Commission's Performance Management Task Group was helpful in re-enforcing the need for these changes to be driven through.

Data quality

- 34** The Council has adequate data quality management arrangements. As part of its work on improving performance management, the Council is developing a comprehensive data quality strategy which will include the monitoring and review of data quality across all services. A data quality group has been set up to drive this work forward.
- 35** Progress on developing local data quality arrangements at service and directorate level has not been consistent, with only adult social care making good progress. The extent to which Data Quality Champions have demonstrated an impact on data quality has been variable, again with only Adults Social Care and Housing showing good progress.

The audit of the accounts and value for money

- 36** There are good arrangements to ensure that performance data is used to manage and improve the delivery of services and there are strong reporting and monitoring arrangements which is regularly used to identify deviations from planned performance.
- 37** Testing of five indicators found that three were found to be correct and two required amendment prior to concluding that these were 'fairly stated'.

Looking ahead

- 38** The public service inspectorates have developed 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.
- 39** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 40** 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 National Indicator Set and key aspects of each area's Local Area Agreement.

Closing remarks

- 41** This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Cabinet meeting on 23 March 2009.
- 42** 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 3 Reports issued

Report	Date of issue
Audit and inspection plan	May 2007
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Use of resources report	February 2009
Annual audit and inspection letter	March 2009

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- 43** 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

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

Howard Simmons
Comprehensive Area Assessment Lead

March 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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