

# Annual Audit and Inspection Letter

**Bromsgrove District Council**

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

### **Status of our reports**

This report 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.

In this report, 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 report**

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## Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the external audit of the Council, undertaken by its appointed auditor, KPMG LLP ("KPMG") Jon Gorrie and from any inspections that have been undertaken in the last year. This report is presented in advance of the publication of the Council's first Comprehensive Performance Assessment (CPA), which will present a more detailed analysis of overall performance. This Letter would usually include our review of how well the Council has progressed (our Direction of Travel report). Because the Council has been accepted for a CPA categorisation assessment, the Direction of Travel assessment did not take place.
- 2 The report 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 report are as follows.
  - The Council's performance in the Use of Resources Assessment shows significant improvement. Overall the Council meets minimum requirements and its performance is now adequate. Performance in the key area of value for money remains poor and remains below minimum requirements.
  - The Council's strategic housing service was assessed as being poor (0 star) with uncertain prospects for improvement. This indicates a need to deliver significant improvements, and the Council has prioritised actions designed to achieve this.
  - A more detailed assessment of overall council performance and improvement priorities will be identified in the imminent publication of CPA.

## Action needed by the Council

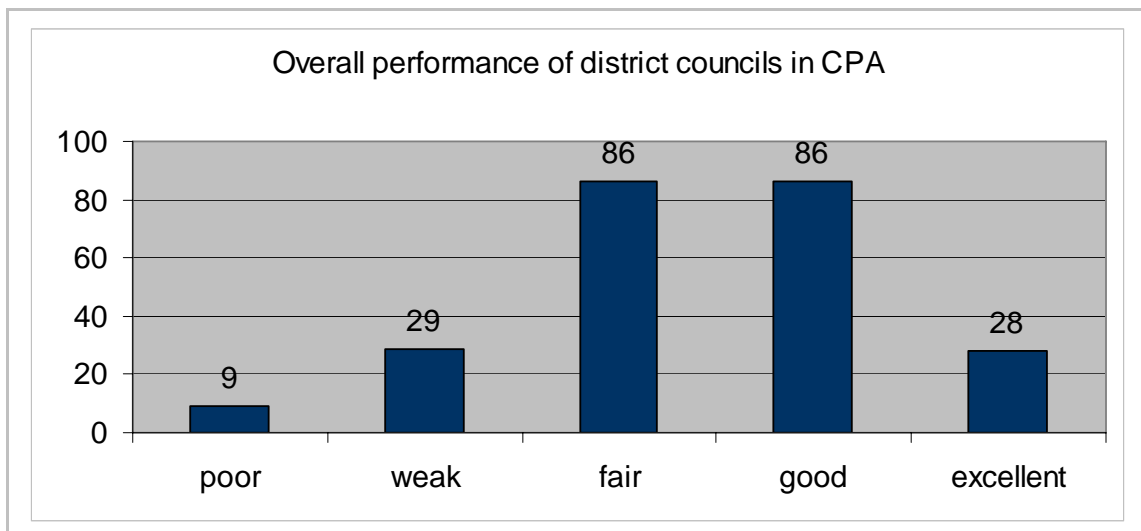
- 4 The Council should ensure that:
  - continued progress is delivered in the way the Council uses its resources. In particular there needs to be significant progress in demonstrating value for money; and
  - sustained progress is achieved in strategic housing services through the delivery of the improvement plan.

## How is Bromsgrove District Council performing?

- 5 The Council is unique in England in that it was not subject to all aspects of Comprehensive Performance Assessment. In June 2004 the Council requested engagement with the Office of the Deputy Prime Minister. As a consequence of the council's request for engagement the Audit Commission agreed to change its approach to the council's CPA. It agreed that the assessment would not take place as planned along with the other Worcestershire district councils in September 2004. As part of the agreement to do this the council was given, and accepted, a CPA category as a poor council. The Council will continue to be categorised as a poor council until such time as the commission completes a full CPA.
- 6 CPA assessments have been completed in all other district councils and we are now starting to update these assessments, through an updated corporate assessment, in councils where there is evidence of change. An updated corporate assessment for this Council is scheduled to report in June 2007. The following chart is the latest position across all district councils.

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**Figure 1 Overall performance of district councils in CPA**



Source: Audit Commission

## Service inspections

- 8 In July 2006 we published a inspection of the Council's strategic housing service. This judged that the Council provided a poor (0 star) service with uncertain prospects for improvement.
- 9 The service was judged to be poor for a range of reasons. There was no overarching vision, a lack of comprehensive service standards, a lack of leadership on diversity and equality, poor quality temporary accommodation and a weak approach to delivering value for money. The council has not achieved a balance of supply in the local housing market and its approach to strategic planning and private sector housing were not having the necessary impacts.
- 10 Despite the overall poor judgement the service did have a number of positive aspects. For example the Council has good up to date housing stock condition information and an effective understanding of local housing needs.
- 11 The service had uncertain prospects for improvement for a range of reasons. There was a lack of leadership in setting a clear strategic vision and a weak track record of improvement. Difficult decisions on affordable housing and homeless services had been avoided. Performance management arrangements were not effective, and there was a continuing lack of focus on achieving value for money.
- 12 There were however, a number of more encouraging signs. For example council staff had a good range of skills and experience and there was a good focus on reducing the use of bed and breakfast accommodation.
- 13 The Council has responded positively to the publication of our report. A detailed improvement plan has been developed and a high priority has been given to delivering significantly better performance. In February 2008 we will conduct a re-inspection which will assess how much progress has been made.

## Financial management and value for money

- 14 KPMG has issued separate reports to the Council setting out the findings of the 2005/06 audit work. These reports included:
- an Interim Report, setting out the findings of work completed prior to the commencement of the audit of accounts;
  - a Report to Those Charged with Governance, summarising the findings of the accounts audit prior to issuing the audit opinion;
  - an Annual External Audit Report, giving an overview of all our work in 2005/06 and our findings from our review of management arrangement over data quality;
  - a report providing feedback on our Use of Resources work for the year; and
  - a review of the role of the Monitoring Officer.
- 15 KPMG has also issued the following statutory opinions to the Council during the year:
- an unqualified opinion on your accounts;
  - a conclusion on your arrangements for the use of resources 2005 which stated that these arrangements are inadequate; and
  - a report on the Best Value Performance Plan confirming that the Plan has been audited and complies with statutory requirements.
- 16 KPMG's findings 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).

- 17 For the purposes of the CPA, KPMG has assessed the Council's arrangements for use of resources 2006 in these five areas as follows.

**Table 1**

<b>Element</b>	<b>Assessment</b>
Financial reporting	2 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	2 out of 4
Value for money	1 out of 4
Overall assessment of the Audit Commission	2 out of 4

*(Note: 1: inadequate performance; 2: adequate performance; 3: performing well; 4: performing strongly)*

- 18 The key issues arising from our audit during the year are as follows:
- 19 Use of Resources and Value for Money Conclusion.
- During our work for on UOR 2006, the Authority scored 2 on the first four themes of Use of Resources, representing a clear improvement from last year when the overall score was 1. This is the consequence of some notable developments to the Authority's policy framework and procedures and improvements to monitoring by management and Members – for example, budgetary control.
  - The key challenge for the Council in future is to imbed its processes and use its mechanisms in place to delivery cost effective and good quality services to its users. We have set out our findings in more detail in our 'Use of resources feedback 2006 report.
- 20 Management arrangements over data quality.
- The Audit Commission for the first time required auditors to review management arrangements over data quality. We reviewed the management arrangements over data quality using Key Lines of Enquiry (KLOEs) set by the Audit Commission. We gave the arrangements in place a score of 1, indicating that they did not meet the minimum standards set out in the KLOEs. The Council needed to demonstrate more clearly its commitment to data quality in its key corporate documents and policies and improve its arrangements for reviewing underlying data and data quality training for staff.
- 21 We reported our findings in detail with specific recommendations to improve the management arrangements over data quality in our Annual External Audit Report issued in February 2007.



## 22 Financial Statements

- During our financial statements audit we did not find any material errors however we made a number of performance improvement observations relating to asset management and investments. We detailed our findings and recommendations in our ISA 260 Report to Those Charged with Governance in September 2006.

## Conclusion

- 23 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the executive cabinet on 13 June 2007.
- 24 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

- 25 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the council's website.

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Relationship Manager