

Annual Audit and Inspection Letter

March 2008



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Great Yarmouth Borough Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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.

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Key messages

- 1 The main messages for the Council included in this Annual Audit and Inspection Letter (letter) are as follows.
 - Services continue to improve in many areas the Council identified as its priorities. Local people are becoming more satisfied with the services they receive, but a number of these of these services are not of a consistent high quality and overall performance, as gauged by performance indicators (PIs), remains below average.
 - Despite Council efforts, weaknesses remain in key corporate areas such as finance, procurement and managing sickness absence. The Council is aware of what it needs to do to improve and better management of performance is beginning to impact. However, its capacity to improve on all fronts as quickly as it would like remains stretched.
 - The Council did not prepare and approve its 2006/07 statement of accounts by 30 June 2007 as required by the Accounts and Audit Regulations 2003. Insufficient evidence was provided for a number of the balances in the statements and material amendments were required to the accounts submitted for audit. A qualified (disclaimer) audit opinion was issued on 18 December 2007. The auditor has notified members and chief officers that he will consider more formal audit reporting if the Council cannot demonstrate that significant improvements are achievable for 2007/08.
 - We concluded that the Council had not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007. We issued an adverse opinion to reflect the fact that these arrangements are inadequate. This opinion draws on a number of elements of our 'use of resources' assessment.
 - We assessed the Council as performing at level 1 in our 'use of resources' judgement which represents an inadequate level of performance. There is significant scope for improvement in financial reporting, financial management, financial standing and internal control.
 - The Council's internal control framework needs strengthening and further work is necessary to develop risk management arrangements and improve the process for providing information on the sources of assurance for the Annual Governance Statement.
 - Overall data quality arrangements are satisfactory but further work is necessary to fully embed these arrangements across the Council.

Action needed by the Council

2 The Council should:

- continue to drive forward the Council's improvement programme to address areas of poorer performance;
- ensure that it has sufficient capacity to deliver its improvement agenda
- ensure that the recommendations made in the auditor's Annual Governance Report are implemented;
- take the necessary steps to address the matters set out in our Use of Resources Report and improve the Council's use of resources assessment; and
- monitor the progress on the implementation of agreed recommendations in our Data Quality Report.

Purpose, responsibilities and scope

- 3 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 for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 4 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.
- 5 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.
- 6 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, the 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 (the 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.
- 7 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.
- 8 We have listed the reports issued to the Council relating to our 2006/07 audit and inspection work at the end of this letter.

How is Great Yarmouth Borough Council performing?

- 9 Great Yarmouth Borough Council was assessed as Good in the Comprehensive Performance Assessment carried out in 2003. These assessments were completed in all district councils and we are now updating these through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

What evidence is there that the Council is improving outcomes?

- 10 The Council is pursuing six high-level priorities that support the 2020 Vision – Community Strategy. In summary these are to: put customers at the heart of everything it does; deliver regeneration projects and provide learning and employment opportunities; help provide a safe, clean and sustainable environment; reduce inequalities, increase prosperity and improve housing for all; use its resources to deliver value for money; and manage performance effectively.

- 11 Over the past year, the public has benefited from more responsive, mostly better quality and increasingly accessible services but more needs doing to design and deliver services to meet customer need. Recent improvements include clear customer service standards, standardised office opening times and quicker and more reliable telephone answering. Findings from the 2007 Mori survey¹, show resident satisfaction with overall services continues to improve, reaching 50 per cent in December 2007 from a 38 per cent baseline in 2003/04. Latest satisfaction data shows more people are satisfied with the way the Council runs things, handles complaints, and keeps them informed. Most feel satisfied with their most recent contact with the Council. New and improved web-sites, 'meet the public events' and the new Council magazine are keeping residents better informed. Tailored schemes such as its healthy walks programme, its refurbishment of St George's Park and its community improvement 'grey to green' projects; are helping better tailor services to need.
- 12 Until recently 40 per cent of people trying to use the contact centre to reach the Council by telephone could not get through, although performance was significantly higher for those who used direct dial numbers. Latest satisfaction data shows people feel the Council must do more to engage with them and act more on their views. Area liaison committees, resident satisfaction and contact centre improvement work, and neighbourhood management are being used to improve its customer focus.
- 13 The physical appearance and economic vitality of the borough continues to improve making it more attractive and welcoming to visitors and investors. Work has begun on the Outer Harbour', in 2006/07 phase 3 of the Marine Parade work has upgraded the streetscape and extended the landau lanes, and work to improve St George's Park is underway. Beacon Business Park continues to attract new investors and outline planning permission on the second phase of development was recently granted. Work carried out under the business improvement district initiative is improving the look, cleanliness and safety of the urban area. English Heritage has recognised how well the Council has tackled areas of the town that have fallen into a 'poor state of repair', by using their built heritage and taking an entrepreneurial approach to conservation and restoration finance.
- 14 The skills base within the borough remains low with an increasing percentage of the working age population with no qualifications. The launch of the local enterprise growth initiative (LEGI) programme has helped raise the profile of 'enterprise' in the borough as well as improving the support to potential entrepreneurs. This year, the 2006 data shows a higher percentage of the working age population is economically active and gross wages increasing (but below the 2004 level) but an increasing percentage of working age people unemployed. This means that the Council needs to continue working closely with partners to address skills and employment.

¹ This is a joint target to improve resident satisfaction and is also being pursued by Norfolk County Council and the Borough Council of Kings Lynn and West Norfolk.

- 15 Overall, the Council has significantly improved performance on standard searches. Planning performance remains sound, but processing of planning applications is taking much longer, potentially hindering the pace by which the local economy grows and develops.
- 16 Comparison with other district councils show that performance overall is still below average, with 32 per cent of indicators in the worse quartile.
- 17 Progress against the Council's environment priority shows mostly steady and some good improvement. Performance indicators (PIs) show an average rate of improvement during 2006/07 and a strong overall rate of improvement over the past 3 years. In 2006/07 the amount of waste collected per household continued to fall and is now among the best 25 per cent of performing councils. Recycling rates are improving although performance is still below average; the cost of waste collection while rising slightly remains low. The cleanliness of blocks of flats' communal entrances and other areas on housing estates is much improved. However, littering and incidents of graffiti got worse in 2006/07 and the national indicators show below average performance. But, latest un-audited data for 2007/08 shows the cleanliness of the area has improved again. Increased enforcement work is helping tackle environmental crime. Abandoned vehicle investigation (at 97.5 per cent within 24 hours) and removal (100 per cent within 24 hours) remains prompt. This speedy action contributes helps to reduce further incidence of anti-social behaviour.
- 18 Performance against housing PIs shows a well above average improvement trend during 2006/07 .Early data for 2007/08 shows continuing improvement. People benefit from fast re-let times on Council properties, quicker urgent repairs, fewer non-decent homes, and more energy efficient Council housing. Tenants have high and improving satisfaction for housing services and opportunities for participation. Effective homelessness prevention work is leading to significantly less use of bed and breakfast, and fewer families placed in temporary accommodation. Homelessness acceptances fell by 10 per cent in 2006/07 (189 to 170 acceptances), continuing the earlier trend. Home improvement grants are up 500 per cent from a 2003/04 base, home support doubled in 2006/07 and disabled adaptations rose 44 per cent last year; all supporting the independence and health of the borough's vulnerable and ageing population. Processing of new and amended benefits claims is much quicker although comparatively performance remains slower than average. The previously poor recovery of overpayments has doubled in 2006/07 resulting in an above average performance. There are signs that some inequalities are reducing in the borough's priority neighbourhoods. For example, educational achievement and standards of housing; but while life expectancy is increasing the gap between the less and most deprived neighbourhoods is growing.

- 19 In contrast, in 2006/07 it took longer to fix non-urgent repairs to Council properties, and the accuracy of benefits processing declined slightly. The full extent to which the Council and its partners are improving outturn results to reduce inequalities within priority neighbourhoods is unclear. Progress against individual priorities is discussed by the local strategic partnership but in 2006/07 there was no annual report of delivery against intent. It is not clear from the Council's best value performance plan or service plans exactly what its targets are for reducing inequalities or the extent to which inequalities are reducing. This hinders effective evaluation of the value for money return on its investment to deliver this priority.
- 20 Despite Council efforts management of resources is not improving. The 2007 use of resources judgement shows many aspects of financial reporting, management and internal control remain inadequate. The Council received a qualified audit opinion for the first time in respect of its 2006/07 accounts. A new financial management system, Value for Money Board, medium term financial plan, asset management plan and better budget management and tracking of efficiency savings all signal progress but it is too early for any real impact. An extensive, high-level development plan to improve the Council's use of resources exists but not all detailed planning is in place yet. Job evaluation and the single status agreement are almost complete. Financial management and reporting skills and capacity are currently insufficient although the Council is actively trying to recruit. Without securing additional capacity the Council will be unable to improve its use of resources.
- 21 The Council continues to make a positive contribution to wider community outcomes. It continues to lead and provide support to the Partnership Board and makes an extensive contribution to multi-agency project boards such as Enterprise GY¹ and the Cleaner, Safer and Greener Board. Action to reduce crime in the borough is a success story of which the Council has played its part, notably through its work to help reduce environmental crime. For example, partnership work on the Middlegate Estate led to a 44 per cent reduction in criminal damage and a 25 per cent reduction in anti-social behaviour in 2006/07.
- 22 The Council achieves adequate, and in places, improving value for money. Arrangements to achieve better value for money are improving but not all work to a secure satisfactory external assessment is in place. For example, no major work to review procurement procedures and draft a new procurement strategy is planned until 2008. Use of benchmarking is limited and cost and performance indicators are not routinely linked. This means it will take longer for the Council to reap the potential benefits of taking a more strategic approach to the way it delivers its services.

¹ EnterpriseGY is about helping people set up and grow successful, sustainable businesses. It's about encouraging a sense of enterprise amongst young people to create a new generation of business leaders. It's about making Great Yarmouth a better place to live, work and do business in.

How much progress has the Council made in implementing improvement plans to sustain future improvement?

- 23** The Council is focused on improving what matters most to local people, and has robust plans in place to address some but not all priority improvement areas. There are plans for delivering further improvements in such areas as community engagement, children's play areas, customer services, access to housing and environmental crime. However, there are not currently, sufficiently robust plans to address some weaknesses such as the ensuring enough affordable housing, reducing inequalities and speeding up payment of invoices. The Council remains at level 1 for the Equality Standard for Local Government and below average for its duty to promote race equality. Progress on tracking and reporting the equity of service delivery with the cost and quality of service delivery is slow.
- 24** Improvement planning mostly continues to deliver planned objectives and targets. 2007/08 unaudited data shows most PI improving with about two thirds on or exceeding target. After many years performance appraisal is embedded, job evaluation complete, collection of council tax and NNDR much improved and housing benefits showing lasting improvement. But comprehensive progress reporting against corporate priorities and full analysis of progress against intent is not in place. Progress in some areas such as reducing staff sickness absence and sharing the learning from turning round poorly performing areas is slower than planned.
- 25** The Council has revised its approach to managing as well as monitoring performance; this is now considered effective. A new management structure, clear accountabilities for action and various performance reporting, checking and managing meetings and processes are embedded. Clearer direction and objective setting and good use of external support have turned round some poorly performing areas. New managers are strengthening the performance culture. Adequate steps are being taken to oversee and manage major projects better and further improve service planning.
- 26** The Council recognises it cannot improve on all fronts as quickly as it would like and that it has a long way to go to address all the issues raised by internal and external audit. For example, the planning service has limited capacity to deliver its plans and meet targets such as those for the speed by which it determines planning applications. The capacity of a borough council, such as Great Yarmouth, to sustain a large number of physical regeneration improvements remains a constant challenge, for example, having sufficient in-house expertise to run major projects to time and budget. However, the Council is building its capacity to act in key areas, for example new recruitment, use of consultants and extra investment. Nevertheless, workforce planning, to ensure the right staff are in the right place at the right time, to continuously improve performance against its priorities, remains a challenge.

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- 27 The Council is facing a key of risk that may prevent it from sustaining a focus on improvement. The Boundary Committee is carrying out a review into the possibility of local government reorganisation in Norfolk; this is proving a distraction for both officers and councillors, and uses up precious corporate capacity.

The audit of the accounts and value for money

- 28** Your appointed auditor has reported separately to the Audit and Risk Committee on the issues arising from our 2006/07 audit and has issued:
- an audit report, on 18 December 2007, providing a qualified (disclaimer) opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are inadequate: and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 29** 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 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).
- 30** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	1
Financial management	1
Financial standing	1
Internal control	1
Value for money	2
Overall assessment of the Audit Commission	1

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 31 The overall score of 1 indicates that the Council is performing at below minimum acceptable standards. The key issues arising from the audit, as reflected in the above judgements, are set out below.
- 32 Financial reporting arrangements are inadequate as the annual accounts were not prepared and approved in accordance with the regulatory timetable and were not supported by comprehensive working papers. Material amendments to the draft accounts presented for audit have been necessary. We issued a qualified disclaimer opinion as insufficient evidence was provided for a number of balances in the financial statements. Further action needs to be taken to improve the closedown process and the preparation of the Council's financial statements to ensure that the accounts meet statutory deadlines and are free from material errors and misstatements.
- 33 Financial management arrangements were strengthened during the last quarter of 2006/07 with the updating of the medium term financial strategy which links to the Council's Policy and Planning framework and strategic objectives. However, there was no evidence that the financial performance of partnerships is regularly reviewed, linked to outputs and shared with partners and no annual report was produced for 2006/07 for the local strategic partnership. Also, no detailed guidance was provided to budget holders outlining the timetable, responsibilities and budget process.
- 34 The corporate capital strategy has not recently been updated and there were significant weaknesses over the procedures and controls for updating the asset register during 2006/07. Further work is required to fully update the asset management plan, assess the level of backlog maintenance and detail the planned action to improve corporate asset use.
- 35 Although the Council managed spending within its revised budget the disclaimer opinion on some of the items of account highlights uncertainty over the reported 2006/07 outturn position. Targets are not set or monitored for all material categories of income collection and recovery of arrears. Procedures have yet to be introduced to monitor the effectiveness of recovery actions, associated costs, and the cost of not recovering debt promptly. In addition no evidence was provided that the Council's policy for reserves and balances is based on a thorough understanding of needs and risks.
- 36 Risk management arrangements are not embedded across the Council. Strategic policy decisions and project initiation documents do not include risk assessments. The risk management process does not specifically consider risks in relation to significant partnerships or provide for assurances to be obtained about the management of those risks.

- 37** Procedure notes are not in place for the key financial systems and the business continuity plan has not recently been reviewed. Members were not presented with sufficient evidence to support the Statement on Internal Control before approval. The Council's internal control framework needs further strengthening, in particular feeder system and control account reconciliations need to be improved. More robust arrangements need to be made for obtaining assurance on the effectiveness of key controls and reporting this information to members.
- 38** The Council's arrangements to ensure probity and propriety deteriorated in 2006/07 as it did not fully engage in the National Fraud Initiative by failing to provide the required creditors data. There was no evidence that the Council is proactive in raising the standards of ethical conduct among members and staff. No assessment had been undertaken of standards of conduct, including how effectively members are complying with the code of conduct. There was no evidence of proactive counter fraud and corruption work which is determined by a formal risk assessment.
- 39** Our Direction of Travel assessment, earlier in this letter, has highlighted the strengths and areas for development on the value for money theme.
- 40** The auditor has informed members and chief officers that he will consider more formal audit reporting if the Council cannot demonstrate that significant improvements are achievable across the use of resources themes, and particularly for financial reporting, in 2007/08.

Data quality arrangements

- 41** We concluded that the Council's overall management arrangements for ensuring data quality are adequate. There were improvements in 2007 with the implementation of the Data Quality Policy and procedures for monitoring and review of data quality established. There is scope to further develop these arrangements and our detailed report, which has been agreed with your officers, includes a number of recommendations for improvement in data quality arrangements.

Looking ahead

- 42 The public service inspectorates are currently developing 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.
- 43 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 44 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 Local Area Agreements.
- 45 The coming year will see the Boundary Committee review of local government arrangements in Norfolk and Suffolk, which sets out to make a 'unitary' recommendation to the Secretary of State in December 2008. This means that there is significant potential for change in Norfolk. We will work closely with all councils to both monitor the on-going situation and support them where possible as they go through this difficult period.

Closing remarks

- 46 This letter has been discussed and agreed with the Managing Director and Executive Director (Resources). A copy of the letter will be presented to the Cabinet on 23 April 2008. Copies need to be provided to all Council members.
- 47 Further detailed findings, conclusions and recommendations on the areas covered by our audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
BVPP Report	December 2006
Urban Regeneration Company Report	December 2007
Annual Governance Report	December 2007
Opinion on financial statements	December 2007
Value for money conclusion	December 2007
Use of Resources report	December 2007
Data Quality Report	January 2008
Final Accounts memorandum	January 2008
Annual audit and inspection letter	March 2008 (anticipated)

- 48 The Council has taken a positive and constructive approach to our 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

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

Susan Jewkes
Relationship Manager
March 2008