

Item No. 5	Classification: Open	Date: 6 May 2004	Meeting Name: Overview & Scrutiny Committee
Report Title:	Reference to Overview & Scrutiny: Audit Commission Annual Letter		
Ward(s) or Groups Affected:	All		
From:	Finance and Economic Development Scrutiny Sub-Committee [7 April 2004]		

RECOMMENDATION

1. That Overview & Scrutiny Committee forward the recommendations contained in this report to Executive, and particularly draw their attention to the recommendations in paragraphs 6, 9 and 11.
2. That Overview & Scrutiny Committee agree to the recommendation outlined in paragraph 13 which relates to ensuring that Scrutiny Committees are provided with audit and inspection reports once these become available to the Council.

BACKGROUND INFORMATION

3. The Sub-Committee considered the Audit Commission Annual Letter dated February 2004 at its meetings on 9 March and 7 April 2004. Mr Neil Gray of the Audit Commission kindly attended the former and answered members' questions. At the latter the following comments and recommendations were agreed. Members noted that the Executive had the Letter before it on 10 February and referred it to the Overview & Scrutiny (O&S) Committee for their comment.
4. The following comments and recommendations are confined to certain key points to which the Sub-Committee would attach some importance. The absence of mention of any other matters dealt with in the Letter does not imply that O&S Committee and/or the Executive should not address such matters.

Performance management and Best Value Review of Strategic Support Services

5. Although the Letter on p.2 highlights as a notable achievement "implementation of a strengthened performance management system across the Council", it notes on p.11 that "a performance management culture has yet to become embedded in all parts of the organisation". On p.6 the Letter refers to a Best Value Review of Strategic Support Services, considered by the Executive on 29 July 2003. The Sub-Committee have been provided with a copy of the Executive item and decision. The 79 actions set out in Appendix B of the item were agreed. These have achievement target dates ranging from "already in place" to "January 2006".
6. It is **recommended** that the Executive and/or Overview & Scrutiny Committee review without delay progress in meeting these target dates with particular reference to:

- (a) changes to the Human Resources function, which is mentioned for particular attention on p.6 of the Letter
- (b) the performance appraisal aspects of performance management (the Letter indicates, for example, that only 30% of recent starters have had performance reviews, but offers no information about the effectiveness of appraisals for longer-serving staff)
- (c) financial planning and systems, in particular whether staff are making effective use of SAP.

Highways and Infrastructure

7. The Audit Commission inspection produced only a “fair” rating with “uncertain prospects for improvement”. Sub-Committee members were provided with a copy of the Inspection Report dated 13 May 2003 and they are of the view that it should give rise to considerably greater concern than is expressed in the summary on p.7 of the Annual Letter. Principal concerns are
 - the poor state of maintenance of those highways for which the Council is responsible,
 - the lack of dedicated capital resources for the purpose, and
 - excessive reliance on short term measures.
8. Poor morale among staff was also apparent. There is no evidence of any Executive consideration of this matter since 28 January 2003, when it considered the Best Value Review of Highway Maintenance. It appears that the Scrutiny function last addressed this matter on 11 March 2003 (Transport & Environment Scrutiny Sub-Committee).
9. It is **recommended** that the Executive give urgent attention to the outcome of their decision of 28 January 2003 and to the recommendations of the Inspection Report of May 2003.

Audit fees

10. The Sub-Committee were disappointed to hear from the Audit Commission’s representative that there is not expected to be any significant reduction in the approximate £750,000 annual cost to Council taxpayers of external audit (see p.8 of the Letter). Recalling one of the reasons for appointing in 2002 an external firm to act as the Council’s internal auditors, and recognising that PriceWaterhouseCoopers have had around 18 months to become effective in that function, it is felt that the burden and cost of external audit should now be reducing.
11. It is **recommended** that the Executive address this matter.

Audit and Inspection Reports

12. The Sub-Committee have noted from p.14 of the Letter that eight reports on specific topics were issued to the Council during 2002/03. At our meeting on 9 March 2004 we requested sight of two of them (Play and After School and Highways and Infrastructure) and they have been provided to us. It is felt that it would be better practice for the Scrutiny function to be provided with such reports as soon as they are received.
13. It is **recommended** that Overview & Scrutiny Committee endorse this and make the necessary arrangements.

KEY ISSUES FOR CONSIDERATION

14. There are no key issues for consideration.

Background Papers	Held At	Contact
Finance and Economic Development Scrutiny Sub Committee: Agendas and Minutes	Scrutiny Team Rm 3.16, Town Hall, Peckham Road, London SE5 8UB	Carina Kane Scrutiny Project Manager Tel: 0207 525 4393

Audit Trail

Lead Officer	Shelley Burke	
Report Author	Carina Kane	
Version	Final	
Dated	16 April 2004	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Borough Solicitor & Secretary	No	No
Chief Finance Officer	No	No
Executive Member	No	No
Date final report sent to Constitutional Support Services	16/04/04	