

Annual Audit and Inspection Letter

February 2008



Annual Audit and Inspection Letter

Sunderland City Council

Audit 2006/07

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; and
- 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 and 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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Contents

Key messages	4
Action needed by the Council	4
Purpose, responsibilities and scope	5
How is Sunderland City Council performing?	6
Our overall assessment - the CPA scorecard	7
Improvement since last year - our Direction of Travel report	8
Corporate assessment and joint area review	10
The audit of the accounts and value for money	13
Overall conclusion	13
National Fraud Initiative	13
Review of Internal Audit	13
Use of Resources judgement	15
Local risk-based work	16
Looking ahead	20
Closing remarks	21
Availability of this letter	21

Key messages

- 1 Sunderland City Council is improving well, and we have assessed the Council as "four star" in its current level of performance and the direction of travel as "improving well". Specific improvements this year have been:
 - the local environment - public spaces are cleaner, crime rates are low, and local people are worrying less about crime;
 - the quality of planning services and the speed of processing applications, are much improved; and
 - a range of ICT based projects and programmes are underway to improve performance management and ensure that the Council becomes more customer focused.
- 2 This year's Corporate Assessment assessed the Council as performing well, providing very good community leadership and working well with partners to achieve its goals. The Council engages with local communities well, overall.
- 3 The Council delivers good value for money as a result of strong financial management, and once again achieved the maximum overall score in our use of resources judgement. Notable practice has been identified in a number of areas.
- 4 We issued unqualified opinions on the 2006/07 accounts and value for money arrangements, and on the Best Value Performance Plan.

Action needed by the Council

- 5 Economic prosperity and health inequalities are two key areas where the North East of England lags behind other regions in the country. The Council works well with partners and needs to continue to do so, with a clear focus on achieving improvements in these areas.
- 6 The vision for Sunderland is challenging and aspirational. The Council and its partners should develop concrete, long-term targets and milestones which will give a clear view of the change they can expect to see over time. Officers also need to ensure that all of the internal strategies and plans are up to date and link coherently to the vision and priorities for the city.
- 7 The Council generally engages well with local communities but needs to meet the specific needs and aspirations of a growing and increasingly diverse population. Links with some marginal and vulnerable groups have been established but should be extended, and used more effectively.
- 8 The Council also needs to provide stronger leadership of the sustainability agenda, including improved performance in recycling. This is important for the success of the image strategy, projecting Sunderland as an attractive place to live, work, and study.

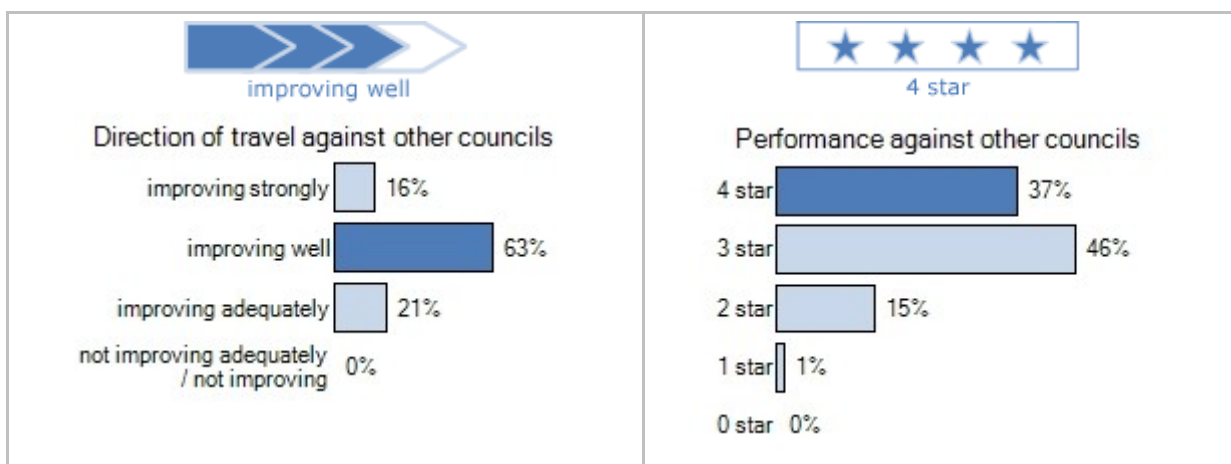
Purpose, responsibilities and scope

- 9 This report provides an overall summary of the Audit Commission's assessment of Sunderland City Council. It draws on the most recent Comprehensive Performance Assessment (CPA), 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. It also includes the results of the most recent corporate assessment and joint area review (CA/JAR).
- 10 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, and to help support future improvement.
- 11 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. The Council is also planning to publish the letter on its own website.
- 12 As your appointed auditor I am 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, I review and report 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.
- 13 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 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 inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 14 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Sunderland City Council performing?

- 15 The Audit Commission’s overall judgement is that Sunderland City Council is improving well, and we have classified the 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 2007 CPA



Source: Audit Commission

Councils with a CPA star rating under review or with a direction of travel judgement that is subject to review are excluded from this analysis.

- 16 The detailed assessment for Sunderland City Council is as follows.

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	4 star
Corporate assessment/capacity to improve	3 out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2007	4 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	4 out of 4
Use of resources*	4 out of 4
Housing	3 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	4 out of 4

(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)

- 17 The Council is improving services in its priority areas. The local environment is improving: less waste is being sent to landfill, more is recycled or composted and public spaces are cleaner. Crime reduction targets have been exceeded, crime rates are low and mostly improving, and local people are worrying less about crime. Children's educational attainment rates are improving, at key stages three and four, although key stage two results for English remain poor. Adult social care in the area is excellent, with good services and systems to enable people to live independently.
- 18 The Council has invested in priority and underperforming services whilst maintaining relatively low levels of council tax and good value for money. These investments, supported by good performance management, have delivered improvements over the last year. A range of projects and programmes are ensuring that the Council is becoming more customer focused. Capacity is good and is being strengthened appropriately to deliver priorities, but the Council performs poorly in some aspects of the diversity of its workforce and sickness rates remain high, and deteriorated during 2006/07.

Improvement since last year - our Direction of Travel report

What evidence is there of the council improving outcomes?

- 19 Overall the Council is continuing to improve its performance. The Council and partners are making progress on priority areas and delivering improved outcomes for the community. The rate of improvement across a range of performance indicators for 2006/07 was average compared to similar authorities, although in some cases from a relatively high base.
- 20 Creating a **prosperous city** is a key challenge, and the Council has made progress this year in relation to physical regeneration, encouraging business development and economic activity. New jobs have been created and the employment rate is rising, although overall rates remain below the national average. The Council and partners have succeeded in reducing unemployment and sustaining employment amongst some of the priority groups. The speed at which planning applications are determined is good and has significantly improved.
- 21 The Council and partners have extended **cultural opportunities** and recent investments have widened the range of opportunities and increased take-up, not only from traditional user groups but also from people with a wide range of backgrounds, including some of those whose participation is usually low. The Council has achieved Beacon status for its work to reach groups through culture and sport.
- 22 Social **housing** in the city is of a good quality and development and modernisation of social and private housing across the city continues to improve quality, choice and range available to residents. Action is being taken to address the deterioration in performance in relation to aspects of preventing homelessness.

A strategic approach, good partnership working and investment in facilities, support and technology are enabling more Sunderland residents to **live healthily** and live at home. For example investments in new technology have contributed to a reduction of ten per cent of the number of people in care and a reduction of two per cent in the number of emergency hospital admissions. CSCI rated the Council's adult social care services as excellent in 2007, with improvements to services in a number of areas.

- 23 There has been significant progress this year in improving the **environment and access** for existing residents, businesses, and people who work in the city. A further part of the Southern Radial route is now open and partnership working on community transport initiatives has enabled significant numbers of people, who would otherwise have been excluded through lack of transport, to access services. Environment services improved, including in targeted areas such as waste reduction, recycling and composting. However whilst the Council improved, the rest of the country continues to improve at a faster rate.

- 24 Crime rates** continue to fall as action is taken to address risks. For example the introduction of CCTV and a multi-agency problem solving approach in Hendon coincided with a 31 per cent reduction in crime locally between April and September 2007 and contributed to a decrease in recorded crime across the city. Local measures suggest that there has been a significant reduction in the proportion of people worrying about crime. Communities are now safer for local people. The council was top performing in relation to the percentage reduction in the number of people killed and seriously injured in road accidents; taking action following racial incidents; and having few looked after children receiving warnings, reprimands, cautions or convictions.
- 25** Overall, services for **children and young people** are good. In 2007, there was a four per cent increase to 59 per cent of the percentage of pupils achieving five or more A* - C grades at GCSE, representing a significant improvement. However, Key Stage 2 attainment levels for English, which were already poorly performing, deteriorated in 2006/07.
- 26** To help the Council become more customer focused, it has established seven independent advisory groups to act as consultees on policy developments. This will help the Council better determine needs of people more likely to have very specific and different needs to those of the wider community. This, along with a range of other work relating to diversity, equalities and cohesion enhances the Council's ability to create **inclusive communities** and complements the Council's focus on improving the customer experience and journey. The Council and its partners have also secured £3.5 million of digital challenge funding to improve opportunities and access for citizens. However, more action is needed on all aspects of equality and the Council should seek to ensure that its workforce is fully representative of the communities it serves.
- 27** Additionally, improvements to communications are helping to project a more positive image of the Council and the city. This is important not only in encouraging resident participation and service take-up, but also in terms of raising the profile of the city as a place to live, work, study and invest.
- 28** Value for money (VFM) and quality of services is good and improving. The Council has maintained relatively low overall council tax levels whilst investing in and improving some of its priority and poorer performing services. It has realised significant savings and exceeded government targets for savings a year early.

Progress being made to sustain improvement

- 29** The Council generally has robust plans and strategies for improvement. The current vision and strategic priorities of the Sunderland Strategy are being revised to focus on the five key priorities of prosperous city, healthy city, safe city, learning city and attractive and inclusive city. The current Sunderland Strategy lacks overall long term outcome measures but the Council plans to address this in the revised strategy. This strategy will be underpinned by the Local Area Agreement, agreed with partners. The Council's medium term financial strategy is good. The Council lacks an overarching regeneration strategy but is developing its 'Regeneration Blueprint.' Long term plans for waste management solutions, in collaboration with neighbouring authorities, are being progressed.

- 30 The Council is increasing its focus on outcomes and the citizen's experience as it refreshes its policy setting, planning and reporting arrangements. The business improvement programme, which is now underway, aims to ensure that there is a robust, customer focused approach to improvement by considering the customer experience in its entirety, irrespective of whether services are delivered by the Council or partners. Progress is being made on detailed business cases for delivery of service enhancements and enabling projects to help drive improvement.
- 31 The Council has good performance management arrangements in place but some areas of underperformance remain. Reporting arrangements have improved the use of integrated financial and performance information, performance clinics are helping to increase focus on performance matters and scrutiny is being developed to provide a more proactive role. These all enable a more holistic challenge.
- 32 The Council has the necessary capacity to deliver its plans and it is working to enhance capacity. It has a strong financial position and has strong management processes in place to support delivery of priorities and deliver VFM. The restructured diversity and inclusion team enhances capacity to enable the Council to better meet the needs of diverse communities. Good procurement practice, generally effective staff development and very strong risk management enhances the Council's capacity to deliver its priorities. The Council has a new and well researched approach to reducing the high level of sickness, but, despite some positive early indications, it is too soon to identify any real impact on capacity.
- 33 Capacity to deliver on the key priority relating to a prosperous city is being enhanced, with improved co-ordination, focus and drive to ensure it is well placed to deal with the challenges of regeneration and also to maximise the opportunities. It is re-structuring with the aim of ensuring strong strategic leadership for regeneration within the Council. The Council and City Region partners have started to increase capacity to support a broader regeneration agenda.

Corporate assessment and joint area review

Corporate assessment

- 34 The purpose of a corporate assessment is to assess how well the Council engages with and leads its communities, delivers community priorities in partnership with others, and ensures continuous improvement across the range of Council activities. Corporate assessments are normally aligned with a joint area review of services for children and young people, lead by CSCI.

- 35 In overall terms Sunderland City Council has been assessed as performing well across all assessment themes, as set out below.

Table 2- Corporate Assessment

Headline questions	Theme	Score*
What is the Council, together with its partners, trying to achieve?	Ambition	3
	Prioritisation	3
What is the capacity of the Council, including its work with partners, to deliver what it is trying to achieve?	Capacity	3
	Performance management	3
What has been achieved?	Achievement	3
Overall corporate assessment score**		3

(Note: 1 = lowest, 4 = highest)

- 36 The detailed report on the Corporate Assessment is available on the Audit Commission website at www.audit-commission.gov.uk. The report noted good leadership within the Council and the shared vision for Sunderland created by the Council and its partners. The Council engages with local communities well, overall. It has a strong financial position and delivers value for money as a result of good financial and performance management. Key areas for improvement have been summarised below to inform the Council's continuing improvement.
- The vision for Sunderland is both challenging and aspirational but its impact as a driver for change is inhibited by a lack of definition of outcomes for local people. To focus on the rate and extent of change required, the Council and its partners should develop concrete, long-term targets and milestones in each key area of its ambition for the community.
 - The Council also needs to ensure that internal plans and strategies are updated and link coherently to the vision and priorities for the city.
 - The Council needs to improve the role of scrutiny as an effective and consistent challenge mechanism.
 - The Council generally engages well with local communities but needs to meet the specific needs and aspirations of a growing and increasingly diverse population. Links with some marginal and vulnerable groups have been established but should also be extended, and used more effectively.
 - The Council also needs to engage more effectively in the sustainability agenda. This is an important contribution to the success of the image strategy projecting Sunderland as an attractive place to live, work and study.

Joint area review

37 An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the Council's performance. Relationship Managers share information and seek to provide 'joined up' regulation.

38 During the last year Sunderland City Council has received a joint area inspection of services for children and young people, lead by CSCI as part of the integrated CA/JAR. The following assessment is an extract from that report:

"The Council's performance in this area is good overall with individual services varying from adequate to good. Outcomes for children and young people are good overall. The capacity to improve is good. Most children and young people appear safe. Children and young people report that they feel safe, although some black and ethnic minority children do not feel safe in some areas of the city. The work of all local services in keeping children and young people safe is adequate with some good features but some weaknesses exist for some of the most vulnerable children. The Youth Offending Service is performing well"

39 Scored assessments from other agencies have been incorporated into the CPA scorecard above.

The audit of the accounts and value for money

Overall conclusion

- 40** As your appointed auditor, we have reported separately to the Audit and Governance Committee on the issues arising from our 2006/07 audit. On 28 September 2007 we issued:
- our audit report, providing an unqualified opinion on your accounts;
 - a conclusion on the Council's value for money arrangements, concluding that these arrangements met the 12 specified criteria during the year ended 31 March 2007, and;
 - our report on the Best Value Performance Plan, confirming that the Plan has been audited and published in accordance with statutory requirements.
- 41** There were no significant matters arising from this work to bring to members' attention. Following recommendations made in previous years we are pleased to note improvements made to data quality and the accuracy of published performance indicators this year.

National Fraud Initiative

- 42** The National Fraud Initiative is a computerised data matching exercise led by the Audit Commission. It is designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies.
- 43** Referrals from the current exercise were released to participating bodies in January 2007, and appropriate action has been taken by Internal Audit to follow up data matches in respect of payroll, pensions, benefits and creditor payments. Benefit frauds totalling £27,140 have been identified through this process and are being pursued.

Review of Internal Audit

- 44** Local authorities must maintain an internal audit function, and conduct an annual review of its effectiveness. As external auditors, part of our assessment of the Council's control environment requires us to consider whether Internal Audit arrangements are adequate in principle, and properly applied in practice.

14 Annual Audit and Inspection Letter | The audit of the accounts and value for money

- 45** Professional standards for Internal Audit are contained in the CIPFA Code of Practice for Internal Audit in Local Government. Our review has focused on a review of Internal Audit's "Quality System" against the professional and statutory requirements contained within the Code, coupled with a sample review of their files. This work confirmed that Internal Audit is meeting its professional and statutory duties. Processes in place are driven by an effective, and externally accredited, Quality System.

Use of Resources judgement

- 46 The findings of the auditor are an important component of the CPA framework described earlier in the letter. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (how financial management is integrated with strategy to support council priorities).
 - Financial standing (the strength of the Council's financial position).
 - Internal control (how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (an assessment of how well the Council balances the costs and quality of its services).
- 47 For the purposes of the CPA we have assessed the Council's arrangements for use of resources, scoring on a scale of 1 to 4, in these five areas as follows, with the Council once again achieving the highest level of overall score.

Table 3 Use of resources judgements 2007

Element	2007 Assessment	2006 Assessment
Financial reporting	3	3
Financial management	4	3
Financial standing	4	4
Internal control	4	4
Value for money	3	3
Overall assessment of the Audit Commission	4	4

(Note: 1 = lowest, 4 = highest)

- 48 The Council's performance demonstrates that it is committed to continuing improvement. Scores have increased from our 2006 assessment in five of the eleven sub-themes and in one theme overall, namely financial management. In particular:
- improvements to financial management made last year have now become embedded in terms of both strategic financial management and budgetary control;

- corporate arrangements for managing, delivering, and improving value for money have been enhanced; and
- the Council has demonstrated high standards of ethical governance and robust probity arrangements.

49 This represents significant improvement against an already high level of performance. Notable practice has also been recognised in a number of more specific areas, including risk management, partnership governance and the quality of the Council's 2006/07 annual report.

50 Areas for further improvement are to:

- achieve "best practice" in producing the Council's annual financial statements and working papers;
- develop the corporate approach to asset management in order to support the Council in maximising asset use and disposal of surplus assets;
- take effective action to address high levels of sickness absence; and
- ensure that service reviews and the business improvement programme effectively tackle poorer performance on performance indicators.

Local risk-based work

51 During the year we undertake work in specific areas of the Council's activities. This is done to inform our overall use of resources and value for money assessments; and in response to audit risks identified locally or nationally. Our local audit work this year has focused on ICT arrangements.

52 A key component of the Audit Commission's national strategy for improving the impact of local audit work and delivering strategic regulation is to carry out integrated reviews which cut across a number of public bodies and help improve the quality of life for local people. Work has been included in audit and inspection plans across the North East for 2006/07 on two key cross-cutting themes, economic development; and health inequalities.

Economic development within the Tyne Wear city region

53 Economic regeneration is key challenge across Tyne and Wear. There has been progress, with employment and jobs growth in some areas of Tyne and Wear and economic growth in Tyneside and Sunderland at levels greater than the national average since 2000. However, the city region economy is still less productive than the rest of the country. The unemployment rate is 6.48 per cent compared with 5 per cent nationally, which represents some 9,000 more unemployed residents than if Tyne and Wear matched the national rate. The long-term growth in employment is also weak and average incomes are below the national average. There are lower levels of self employment than nationally and less than half the national level of business start ups.

- 54 Individual councils are taking forward local economic strategies, but the achievement of their targets combined will not meet the regional aspirations for economic growth. A range of national and regional studies have demonstrated the importance of city regions for economic growth. The five Councils in Tyne and Wear, together with Northumberland and Durham County Councils have agreed ambitious plans to work together at a city region level in response to Government policy direction. This builds on previous successful joint working in areas such as the Employment Consortium.
- 55 Our review took a strategic view of economic development in Tyne and Wear, and focused on the developing city region, at a time of increased momentum in its development, including the appointment of a City Region Director. Our recommendations, aimed at supporting continuing development of the City Region, stressed the importance of strong leadership, good project management, and an integrated approach in driving this agenda forward. Specifically:
- there needs to be project plan to deliver the City Region Business Case with timescales to accelerate the pace of development, clearly identifying capacity requirements and how these will be met;
 - the need to build a strong analytical capacity and the development of an economic strategy and investment plan based on robust economic analysis, which identifies and prioritises major investments that deliver significant improvement in the City Region economy;
 - the city region's economic strategy and investment plan should be aligned to the Regional Economic Strategy Action Plan, Multi-Area Agreements and established local regeneration partnerships; and
 - a strong and effective communications policy is needed to promote the benefits of the city region within authorities, with partners and the public.

Health inequalities

- 56 Partnership working is helping to improve the North East's health outcomes but more needs to be done to close the gap between the North East and the rest of England. Life expectancy is lower, rates for sickness and disability are twice the national average, and smoking mortality rates are among the highest in England. There is also a high prevalence of obesity, increasing sexual health infection rates and serious alcohol and substance misuse issues.
- 57 Tackling health inequalities is a high priority for the Government, which has been increasingly encouraging health trusts to work in partnership with local public bodies and the voluntary sector to improve health and reduce inequalities through a number of initiatives, targets and legislation. The factors causing health inequalities are complex and can best be addressed through agencies working together.

- 58 The Audit Commission, Deloitte and PricewaterhouseCoopers have reviewed how organisations across the North East are working together to address health inequalities, culminating in a workshop in October 2007 for 200 representatives from the NHS, local government and the many voluntary sector agencies involved in tackling health inequalities, where we identified seven key challenges.
- Challenge 1: Develop arrangements to evaluate projects and ensure continued funding of those that deliver tangible outcomes, and to embed this learning in project planning and performance management systems.
 - Challenge 2: Gather intelligence on where gaps in services exist and a profile of those accessing services. Target services at those areas and individuals where there is unmet need and develop strategies to target hard to reach groups.
 - Challenge 3: Ensure local area agreements contain a breadth of targets to reduce health inequalities, across all sectors and ensure health and wellbeing strategies are translated into local delivery plans that contain sufficient detail and local targets to monitor progress.
 - Challenge 4: Spread awareness of priorities and services on offer and provide networking opportunities and information sharing systems to improve the links between service planners and service providers. Cascade messages and targets to front line workers such as teachers, health professionals and social workers.
 - Challenge 5: Use the Regional Health and Wellbeing Strategy to provide direction for the North East and link national, regional and local policies. Develop networking opportunities and support to share good practice to achieve the aim of transforming the North East into the healthiest region in the country within a generation.
 - Challenge 6: Give community and voluntary sector organisations increased certainty over funding with agreed delivery targets and simplify commissioning arrangements to make it easier for them to bid for the provision of services.
 - Challenge 7: Systematically seek community views to influence how and where services are provided.
- 59 A report summarising the work to date was distributed widely to inform future development and improvement. We will be building on this work in the coming year, focusing in on specific areas, identifying good practice and helping to identify and overcome barriers to improving health outcomes in the North East.

ICT arrangements

- 60 ICT services underpin production of the accounts, performance management and systems of internal control. Sunderland City Council has embarked upon a major project to enhance ICT processes, and the objectives of our work this year have been to:
- highlight strengths and weaknesses of the existing ICT service, measuring present levels of service against nationally recognised standards; and
 - review arrangements put in place to secure future improvement.
- 61 The Council has also participated in the Audit Commission's national web-based "YourBusiness@Risk" survey, which focuses on ICT security and arrangements for appropriate use of IT.
- 62 There has been considerable progress in improving ICT provision in the Council over the last few years. Our work indicates that a majority of service users have access to the computing facilities they need and that these are both reliable and fast enough for their requirements. Responses to the "YourBusiness@Risk" survey also confirmed a good understanding of IT risks and security arrangements.
- 63 Our gap analysis, comparing the council's existing ICT practices against a nationally recognised best practice framework, highlighted a number of areas where the Council could make further changes and this is being used as a baseline to inform proposed ICT investment. We have recommended that surveys are repeated at intervals to monitor future progress and assess the effectiveness of changes and improvements.
- 64 Surveys of ICT users, as opposed to ICT professionals, have highlighted issues relating to the need to improve communication, provide more information and training, and increase awareness of ICT issues, rather than weaknesses in the actual processes themselves. An action plan to address these points has been agreed with officers.
- 65 The commissioning of ICT services and new products also requires review. The existing process, through the e-Group, although sound in principle, has a number of practical issues which result in a lack of appropriate corporate scrutiny for new project development. Co-ordination between individual ICT projects and overall programme management also needs to be improved, and we have made a number of suggestions for improvement in these areas.

Looking ahead

- 66** 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.
- 67** 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 leadership, staff management and the sustainable use of resources.
- 68** 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.
- 69** At a local level, we have already agreed an outline audit plan and fee for 2007/08. This will be reviewed following discussions with officers and review of documents to update our assessment of key risks. We will also be developing our outline plan and fee for 2008/09.
- 70** In addition to mandatory testing on the financial statements and use of resources, we anticipate that the focus of our work during 2008 will be on two main issues, namely:
- community engagement with hard to reach groups; and
 - performance management.

Closing remarks

- 71 This letter has been discussed and agreed with senior officers and will be presented at the Cabinet meeting in March 2008. Copies of the letter have been provided to all Council members.
- 72 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. These are set out below.

Table 4 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Review of Internal Audit	April 2007
ICT services report	May 2007
YourBusiness@Risk	August 2007
Opinion on financial statements Value for money conclusion Audit certificate on best value performance plan	September 2007
Addressing health inequalities in the North East*	October 2007
Economic regeneration in Tyne and Wear City Region*	October 2007
Final accounts report	December 2007
Annual audit and inspection letter	February 2008

* these reviews were cross-cutting with a joint report to all relevant organisations

- 73 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

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

Lynne Snowball
Relationship Manager and District Auditor

February 2008