

Audit and Inspection Annual Letter

Hampshire County Council

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Reference:	MCHA008AAL03W – Final
Authors:	Neil Childs – District Auditor Mark Catlow – Audit Manager
Date:	February 2004

Key messages

Improvement reporting

The council has some of the best services provided by a county council, performance continues to improve and customer satisfaction levels remain high. Service improvements are underpinned by investments in people and structures and a culture which encourages innovation.

Both political and managerial leadership are aware that there is more to do and retain a clear commitment to further improvement. Based on current plans, the council is well placed to further improve the way it works and the services provided to local people.

In this context the council intends to refine how it sets and monitors priorities. Members also accept that there needs to be more focus on expected outcomes and that the council needs to do more to meet the stretching targets it has set.

Financial standing

The council's financial planning framework remains effective and continues to identify and address budgetary and financial pressures.

Your corporate governance framework continues to develop and will be further improved if your financial management policy is integrated within it.

Actions have been agreed with officers to ensure clearer links between financial and strategic planning in future budget processes.

Systems of internal financial control

The implementation of Project Enterprise is nearing completion and is allowing the council to improve and re-engineer its business processes. This project has been more complex than initially estimated and has exceeded your original budgets in terms both of cost and time.

Officers expect initial benefits to be realised in 2004/05 and the target level of realised benefits

to be achieved from 2005/06 onwards. The achievement of targeted benefits to repay the total investment in this project of £21.6 million by 2010 remains uncertain.

Officers are currently firming up benefit realisation plans and we will revisit these in February 2004.

The need for the council to document its revised system of internal financial control following the extensive changes to its financial systems and processes continues.

Accounts

We issued an unqualified opinion on your accounts on 14 November 2003.

As in 2001/02, the introduction of SAP continues to temporarily weaken your accounting control system.

Improvements were achieved in the quality of year-end accounting entries processed by departments, but more progress is needed in improving the timing, co-ordination and quality of working papers underpinning your accounts.

Looking forward, the introduction of SAP presents an opportunity for you to prepare for the required earlier accounts closure timetables and we have already suggested an approach to joint working in this area. We invite the council to consider how this issue can now be progressed.

As in previous years, we issued a separate unqualified opinion on the pension fund. The key issue is for Members to consider the scheme's current funding horizon as part of the forthcoming triennial valuation.

The purpose of this letter

This is our second joint 'Audit and Inspection Annual Letter' for Members which incorporates our Annual Audit Letter, and is presented by the council's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our 2002/03 audit programme and comments on other current issues.

We have issued separate reports during the year having completed specific aspects of our programme. These reports are listed at Appendix 2 for information.

Auditor's responsibilities are summarised in the Audit Commission's statement of key responsibilities of auditors. The responsibilities of Audit Commission Inspectors are detailed in section 10 of the Local Government Act 1999. What we say in this letter should be viewed in the context of that more formal background.

Background to the audit and inspection programme

The Audit Commission has a responsibility to ensure that audit and inspection activity is relevant and proportionate to need. To achieve this, our audit has been based around the following principles:

- performance audit work has been voluntary, reflecting the council's 'excellent' CPA rating
- partnership working with other inspection and regulatory bodies to identify and deliver work
- risk based audit work in respect finance and governance.

To ensure that Hampshire receives a tailored and seamless service, integrated with the work of other inspectorates, the Audit Commission has appointed Neil Childs as the council's Relationship Manager. He is the Commission's primary point of contact with you and is also the interface between the Commission and other

inspectorates, Government Office and key stakeholders.

Another key change this year was that, from 1 November 2002, the Audit Commission's audit year changed so that for 2003/04 onwards, it runs from April to March.

Following the council's assessment in December 2002 as an 'excellent' council the Cabinet approved 11 improvement priorities.

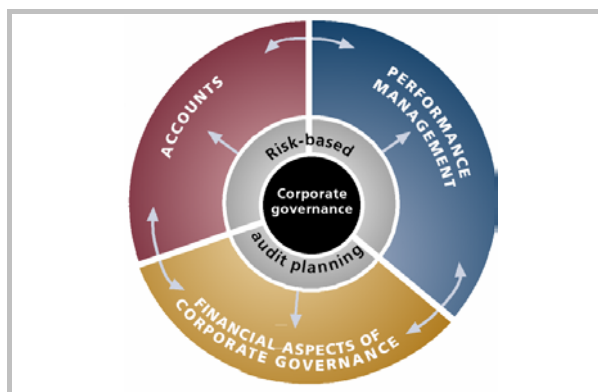
Objectives of audit and inspection

Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit; our audit work has focused on your significant financial and operational risks relevant to our audit responsibilities.

Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Exhibit 1.

EXHIBIT 1

The three main elements of our audit objectives



Accounts

- Opinion.

Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.

- Standards of financial conduct and the prevention and detection of fraud and corruption.
- Legality of transactions.

Performance management

- Use of resources.
- Performance information.
- Best value performance plan (BVPP).

The Audit Commission has a duty to audit local authority plans for improvement and to inspect local services.

For Hampshire, as an 'excellent' council, the audit and inspection regime was reduced and we have not undertaken any local performance audit studies or any new inspection work at the council in 2002/03.

Council performance

The council has some of the best services provided by a county council, performance continues to improve and customer satisfaction levels remain high. Service improvements are underpinned by investments in people and structures and a culture which encourages innovation. Both political and managerial leadership are aware that there is more to do and retain a clear commitment to further improvement. Based on current plans, the council is well placed to further improve the way it works and the services provided to local people.

CPA improvement report

This section sets out the council's improvement report which incorporates the key messages from the voluntary qualitative assessment we have undertaken this year. This is an assessment of the council's approach to securing continuous improvement and is a means of reporting the progress the council has made against its improvement priorities and the recommendations contained in last year's corporate assessment report. In the context of an excellent council, last year's corporate

assessment highlighted that the council could improve further by;

- providing a clear focus for communicating and progressing its ambitions and in particular ensuring cross-cutting priorities are given corporate attention
- making better use of consultation with stakeholders
- improving performance management in order to drive continuous improvement more effectively
- making use of formal political scrutiny to explore alternative policies and strategies.

The outcomes of this will not be scored and will not impact on CPA categorisation. However, your progress is summarised on the 2003 corporate assessment scorecard which was published on 18 December and included as appendix 1.

Ambition

Last year, the council was assessed as strong in this area. As part of the improvement planning process the council has made clear what its priorities for improvement are and these are inline with the council's overall ambitions.

The council's arrangements have been strengthened by the draft community strategy for Hampshire which is about to be launched for consultation. This was developed by the Hampshire strategic partnership and, in common with the council's own corporate plan, it is based on clear evidence of what is important to the community. In addition, corporate strategy targets are carried through and prioritised in the local public service agreement (LPSA), the CPA improvement programme and Cabinet priorities which were identified earlier this year as areas of particular importance to local communities.

Priorities

The council's priorities, which are widely publicised via internal and external communications, have consistently been:

- education – especially tackling the causes of under-achievement
- the independence of older people
- reducing waste, pollution and traffic congestion

- the quality and safety of the road network
- social inclusion and engagement with local communities
- working with young people.

The council recognises its range of priorities complicates monitoring and over the next few months plans to integrate corporate, member, LPSA and CPA priorities into the next iteration of the corporate strategy.

Through the community engagement review the council also aims to develop its consultation processes to achieve greater community engagement in decision-making. Extensive community consultation is also underway to explore community attitudes and priorities for spending, communication, etc. This will inform the format of a telephone survey and a possible further workshop in the New Year on options for service priorities, budget increases and council tax rises.

The council is also taking action to improve evidence based policy development and prioritisation by strengthening political scrutiny. The Policy and Resources policy review committee has been given the role of a Corporate Select Committee with a wider and hard hitting remit and Councillors 'Supply Days' are being arranged to give opposition members the opportunity to table the debate. It is anticipated that these events will encourage innovative and wider thinking on key issues facing the council.

Plans are also underway to develop the role of area forums to increase local consultation and participation in strategic and operational decision-making and service review. The approach to scrutiny in health is developing and the council recognises the importance of securing cohesive working within the county.

Focus

From a high performing base, the council has maintained a long-term perspective and by increasing the sense of corporacy and joining up activities across service departments it continues to achieve further improvements to services.

The council is very aware that from this high performing base significant effort and focus is needed in order to achieve continuous

improvement. The Cabinet and the Corporate Management Team provide strong leadership to provide the focus for this sustained improvement.

Cabinet priorities which were determined earlier this year are being worked on jointly by the corporate management team and cabinet sponsors and this provides a powerful base to focus on further improvement, investigate variances in performance and tackle difficult issues linked to deprivation and social exclusion.

The council is also developing its service plans to ensure that corporate and improvement priorities are consistently reflected in them. The intention is to complete this in the current planning round.

Work to retain excellent accreditation under the CPA framework has also put the spotlight on areas that were not initially singled out for development. Reviews of childrens and adult services have taken place this year and have focused attention on areas for improvement. Whilst there has been some deterioration in the current performance of childrens services this additional focus and investment has resulted in the prospects for further improvement for both adults and childrens services improving from promising to excellent.

Where services have been challenged to improve, eg, library services, the council's ability to focus is demonstrated by the movement in our inspection judgement from 'uncertain' to 'promising' prospects for improvement within nine months.

Capacity

The council demonstrates a continuing commitment to both maintaining and improving performance 'across the board' against a background of significant demand pressures.

The council is making significant investment to deliver improvement priorities and has identified areas where it has concerns about the capacity and skills needed. The council is addressing this through the service planning, recruitment/retention and management development initiatives.

Work has commenced to demonstrate the links between financial and strategic planning, and the council intends to:

- develop financial plans that reflect the timescale of its improvement priorities
- demonstrate how its budget process builds and/ or shift capacity to deliver priorities.

Internal structures, IT platforms and systems are evaluated and strengthened where needed to improve outcomes. For example, the major remodelling in social services is now demonstrating improved arrangements including a new children looked after unit, integrated children and disability teams and the new role of partnership managers. The council and its partners have also achieved a Childrens Trust pilot status.

Personnel and training has also recently been reviewed and will be restructured during the next 12 months, this will include the creation of a specialist recruitment centre.

The council has recognised the challenge of tackling local recruitment and retention problems, particularly teachers, social services care workers and social workers. The lack of capacity in the independent sector also continues to be a potential risk.

Investment

Significant investments have been made in this already strong area to promote cross departmental working and support the council's improvement priorities, eg:

- additional resources of £7 million to improve performance in intensive home care and in providing nursing care
- £60 million partnership with the NHS to provide an additional 500 nursing care beds
- additional £3.5 million invested in highways maintenance
- other major transport infra-structure schemes, including:
 - South Hampshire Rapid Transit scheme
 - A3 bus corridor, which has attracted additional support from Government to the tune of £25 million.

The council also continues to strengthen the way it works and is taking action to secure further improvement by:

- strengthening corporate procurement arrangements in line with the Byatt report

- further integrating risk management processes into operational decision-making processes
- developing Member roles to achieve greater engagement in policy formulation, challenge and performance management
- strengthening the role of overview and scrutiny.

Performance management

The council has a strong tradition of devolved management providing local flexibility to deliver good/excellent services to local communities. It also continues to strive for top quartile performance in key performance indicators across services.

Last year's corporate assessment highlighted that monitoring of performance was complicated by the range of priorities, performance indicators were not being used proactively and robust outcome measures were absent.

The subsequent improvement programming process reinforced these conclusions. Priorities for improvement were relevant and clearly stated but a process to provide clear evidence of responsibilities for action, progress, monitoring and achieved outcomes has only recently been clarified. More work is needed to clarify the expected outcomes for some improvement priorities.

The council has recognised this and is developing its performance management framework by:

- refocusing the corporate performance steering group, chaired by the Chief Executive
- reinforcing the corporate performance team
- developing consistent service plans that clearly derive from corporate priorities
- developing the BVPP as a management tool
- monitoring and reporting against LPSA progress
- reporting to Cabinet on relative standing against all county councils
- clarifying and promoting a cohesive performance management framework.

There is more to do and plans are in place to further develop the framework by:

- integrating priorities (as outlined above)
- developing timetables for reporting performance information to CMT and Members
- developing further output and outcome measures to measure performance against improvement priorities and enable appropriate action to be taken if and when necessary
- building on the approach to developing stretching targets which began with the LPSA
- improving target setting, and to assist this the council is participating in a national exercise through the innovation forum
- further refining the web-based BVPP to integrate within it the council's improvement priorities, cross-cutting programmes and performance outcomes.

Achievements

From an already high baseline of performance the council is continuing to secure further improvements which include:

- **Educational achievement** for children at risk of social exclusion has improved and more children have stable family placements. The council is also addressing the increase in absence and exclusion of children in some deprived areas.
- **Older people:** Innovative partnership working and additional funding has enabled more elderly people to be discharged from hospital and allowed the council to provide more intensive homecare.
- **Young people** are increasingly engaged in decision-making and a youth strategy has been drafted and actions from recent consultation are now being developed.
- **Transport and travel:** The council is working with the public and private sectors and is making investments to reduce congestion and improve transport and road safety. It is also exploring potential partnerships for integrated transport management across the county.
- **Community engagement:** The council has been commended by the ODPM for its work

on the local strategic partnership and community strategies.

- **LPSA:** The activity in support of the local PSA has led to improved performance, in many cases from an already high base. Monitoring shows that on current performance the council is likely to achieve half of the 13 targets at the 60 per cent level and some at the full 100 per cent level.

Whilst improvements have been secured and further investment made to continue this, the rate and extent of improvement in many areas falls short of the stretching targets the council has set for itself. For those targets which are not met in the originally anticipated timescales the improvement focus will continue until they are achieved. The plans in place to strengthen prioritisation and performance management processes are intended to help the council address this issue.

Summary

The council continues to demonstrate very good performance across a wide range of areas and performance is continuing to improve. More focus on outcomes is now needed to enable Members to monitor progress and identify tangible improvements.

The development of the community strategy and the planned integration of the council's wide-ranging priorities into the revised corporate strategy will provide a clearer focus for communication and progression of your ambitions.

The council is continuing to create capacity and invest in specific projects for improvement and the processes which support service delivery, eg; performance management, risk management, HR strategies, IT platforms and structures, the medium-term financial strategy and consultation with its communities.

Based on this, the council is well placed to further improve the way it works and the services provided to local people.

The future of CPA

The Audit Commission has consulted on the future arrangements for CPA and has concluded that it will be developed by:

- a new CPA framework in 2005/06 and again in 2010, focusing on an agreed set of local and national policy priorities
- annual improvement reports in December 2003 and December 2004
- work is underway to produce a consultation paper on the approach for 2005/06 by December 2004.

The CPA programme from January 2005 will seek to understand the impact of the council across Hampshire, and to recognise the leverage, co-ordination and leadership the council provides to achieve a wider improvement agenda.

The precise shape and nature of this approach has yet to be finalised, though the Commission has recognised the need to agree the strategy for improvement reporting after 2004, leading up to a further re-assessment from 2010.

Financial aspects of corporate governance

Auditor scored judgements

Auditors scored judgements were first completed last year as part of your comprehensive performance assessment (CPA). As part of this year's audit, we reassessed these scores as a measure of the improvement made by the council during the last year.

The results of this work have been drawn together below to provide a summary of our assessment of aspects of your corporate governance arrangements. The overall scores are determined against set criteria of good practice and are on a scale of 1 (inadequate) to 4 (good).

EXHIBIT 2

Area	Score
Financial standing	4
Systems of internal financial control	3
Standards of financial conduct and prevention and detection of fraud and corruption	4
Legality	4
Financial statements ('Accounts' section below)	3

Financial standing

The council's financial planning framework remains effective and continues to identify and address budgetary and financial pressures.

Your corporate governance framework continues to develop and will be further improved if your financial management policy is integrated within it.

Actions have been agreed with officers to ensure clearer links between financial and strategic planning in future budget processes.

Our work again confirmed that you have sound arrangements to address financial issues. This section summarises the main messages in relation to your financial standing not directly related to your improvement priorities. Issues that relate to your improvement priorities are considered within the CPA Improvement report in the 'Council Performance' section earlier in this letter.

2002/03 out-turn

The council again achieved a result close to 2002/03 cash limits, underlining the effective operation of budgetary controls during the year.

Current year and outlook

The council set a budget requirement for 2003/04 of £1.032 billion, 12.1 per cent above the previous period. Our review of this increase concluded your financial planning was sound and that the overall budget process was conducted effectively; decisions were considered carefully and involved an appropriate level of input from officers and Members.

Outlook

The council's financial outlook is still likely to be challenging and officers are taking appropriate action to manage this situation.

You are currently undertaking extensive consultation to inform the 2004/05 budget process. Members must ensure the outcomes of this are properly considered in order to develop sustainable medium-term financial plans which match the timescale of your improvement priorities.

Medium-term financial planning

We reviewed your new financial management policy and the processes for resource allocation apparent within the 2003/04 budget.

Within these processes, your financial management policy could be improved by:

- ensuring any guidance and principles are more meaningful and specific
- defining mechanisms to monitor and report targets, actions and timescales to achieve key goals
- reducing the number and scope of aims in the document
- ensuring it is regularly updated and refreshed for relevant changes.

It can also be integrated into your corporate governance framework to form a valuable additional source of information to help discharge your Governance responsibilities.

We confirmed that a resource allocation process exists within the council and funding was provided for specific priority areas in your 2003/04 budget. Outside of these headline allocations, your decisions about corporate priorities were difficult to explicitly identify in budget processes.

It is important that your budget process provides evidence of how it is both influenced by your priorities and used to redeploy resources to high priority areas. Longer-term financial plans should also match the timescale of your improvement priorities.

We were deliberately not prescriptive in outlining how this can be demonstrated, but key elements of this will include:

- an explicit assessment of the resources required to achieve key corporate outcomes and targets
- how existing resources are being reallocated to priority areas
- proposals for meeting any remaining resource gaps in general terms, especially the balance between internal and external funding
- a risk assessment of the sustainability of resourcing proposals (including consideration of the level of council tax which is supportable).

The County Treasurer set out the initial steps needed to respond to this in his report to Cabinet in September. Your key challenge is to ensure, and demonstrate how, your resource framework is used to build and/or shift capacity to deliver the council's priorities.

Prudential Code

The prudential code for capital investment by local government is expected to be implemented from 1 April 2004. Officers have identified the actions the council needs to take to comply with the new arrangements and are taking this forward.

We plan to undertake more detailed work in this area during 2003/04; there are no issues to raise with Members at this time.

Systems of internal financial control

The implementation of Project Enterprise is nearing completion and is allowing the council to improve and re-engineer its business processes. This project has been more complex than initially estimated and has exceeded your original budgets in terms both of cost and time.

Officers expect initial benefits to be realised in 2004/05 and the target level of realised benefits to be achieved from 2005/06 onwards. The achievement of targeted benefits to repay the total investment in this project of £21.6 million by 2010 remains uncertain.

Officers are currently firming up benefit realisation plans and we will revisit these in February 2004.

The need for the council to document its revised system of internal financial control following the extensive changes to its financial systems and processes continues.

Project Enterprise

This project aims to help the council re-engineer its business processes, improve the council's purchasing arrangements and integrate Human Resources and Finance functions across the council.

The implementation of SAP has proven more complex than was originally envisaged and has required the resolution of a number of significant issues to reach this current stage. The effect of this on the overall cost of the project has been significant. Overall costs currently stand at approximately £17.9 million, against an original budget of £12.5 million.

Officers expect initial benefits to be realised in 2004/05 and to reach target levels of realised benefits in 2005/06. However, achievement of targeted benefits to repay the total investment in this project of £21.6 million by 2010 remains uncertain.

Officers are currently firming up benefit realisation plans and we will revisit these in February 2004.

Risk management

Your risk management processes are continuing to develop and officers have recognised the need to focus more on strategic risk as well as insurable or local departmental issues. The actions to check that controls are operating to mitigate risk are still being implemented in all departments and they are not yet consistently in place.

We have reported these messages to officers and there are no further issues for Members attention.

Other work

During our audit we also issued a number of more detailed reports with officers which are listed at Appendix 2 for your attention. We intend to follow-up these issues as part of our ongoing audit and there are no current issues for Members' attention.

Standards of financial conduct & prevention and detection of fraud and corruption

The council's overall arrangements for the prevention and detection of fraud and corruption are satisfactory.

We continue to be satisfied with your arrangements which have been strengthened during the year by the development of:

- a standards committee
- procedures to confirm key aspects your governance arrangements.

We are aware that the above governance 'self-assessment' process highlighted a small number of issues which officers reported to the standards committee in October. We understand officers have plans in place to address these issues and there are no matters for Members' attention.

Legality of transactions

Your arrangements to ensure the legality of your financial transactions remain sound.

We have reviewed the authority's overall arrangements, including relevant reports, and we are satisfied that they remain sound.

As in previous years, we have continued to liaise with the monitoring officer and there are no current issues to raise with Members.

Audit assurance work

Accounts

We issued an unqualified opinion on your accounts on 14 November 2003.

As in 2001/02, the introduction of SAP continues to temporarily weaken your accounting control system.

Improvements were achieved in the quality of year-end accounting entries processed by departments, but more progress is needed in improving the timing, co-ordination and quality of working papers underpinning your accounts.

Looking forward, the introduction of SAP presents an opportunity for you to prepare for the required earlier accounts closure timetables and we have already suggested an approach to joint working in this area. We invite the council to consider how this issue can now be progressed.

As in previous years, we issued a separate unqualified opinion on the Pension Fund. The key issue is for Members to consider the scheme's current funding horizon as part of the forthcoming triennial valuation.

Our work on your final accounts again covered:

- testing key controls within the general ledger systems
- review procedures for preparing and controlling the budget
- reviewing closedown procedures
- reviewing and testing your financial statements.

We reported the outcomes from our initial work to officers in June. Our conclusion remains that the introduction of SAP continues to temporarily weaken the council's accounting control system.

We subsequently completed our remaining audit work and issued an unqualified audit opinion on your financial statements on 14 November 2003.

Following our comments to you last year, improvements were achieved in the quality of year end accounting entries processed by departments, but we found that progress is still needed to improve the timing, co-ordination and

quality of working papers underpinning your accounts. We have reported this to officers who are currently considering how to address this issue.

Reporting to the council

There is a new auditing standard which applies to our audit of your accounts - Statement of Auditing Standard (SAS) 610 'Reporting to those charged with governance'.

This required us to report issues arising from our audit, to 'those charged with Governance'. We identified no issues that require a formal response from the council and we therefore issued our audit opinion in advance of presenting our findings to the standards committee.

There are no further issues for Members attention.

Whole of Government Accounts

We have continued to track your response to the Whole of Government Accounts agenda. Some progress has been made, but meeting the new accounting timetables will still be challenging.

The ongoing introduction of a commercial-style accounting system presents an opportunity to re-engineer your accounts and financial reporting process to help meet this agenda.

You may wish to exploit your existing networks with other SAP users to consider how other Local Government bodies are responding to this issue. Some are not only reviewing existing closedown timetables, but are taking the opportunity to be more innovative and re-engineer wider in-year financial reporting and audit processes in partnership with the Audit Commission.

We invite the council to work with us to develop a similar response in Hampshire. We have already presented an outline joint approach to officers and hope to agree a way forward with you shortly.

Pension fund

We have completed our work in this area and issued an unqualified opinion on the pension fund accounts in August.

We highlighted to you last year that your current funding horizon of 40 years (ie, the period over

which assets are expected to equal liabilities) is an outlier. Most other local government schemes use a significantly shorter period of time in their actuarial calculations.

You have undertaken to revisit this issue during the fund's 2004 triennial valuation and we will therefore reconsider this issue during 2004.

Best value performance plan audit

Your 2003/04 BVPP received an unqualified opinion. Your systems to compile performance indicators are improving but not yet satisfactory.

Compliance of your best value performance plan

We completed our statutory audit of your 2003/04 BVPP in September and include an unqualified opinion and statutory report at Appendix 3.

Some detailed recommendations are currently being discussed with officers; there are no messages for Members attention arising from this work. Any wider messages about qualitative aspects of your plan are considered within the 'CPA improvement report' section of this letter.

Accuracy of best value performance indicators

The accuracy of compilation and quality of supporting records improved during the year. Despite this, reservations were placed against seven indicators (approximately ten per cent of the total), mainly due to inadequate systems or supporting documentation. Details of these reservations have been supplied to officers who are currently considering how processes can be improved in future.

To help the council respond to this agenda, we again intend to undertake an early review of your proposals to prepare your 2003/04 performance indicators as part of our 2004/05 audit plan.

Follow-up work

Service planning

We revisited our earlier work on service and financial planning to review your progress to date and your future plans. Our overall assessment is that you are now making very good progress, albeit six months later than was anticipated at this time last year. There are no further issues for Members' attention.

Libraries re-inspection

We also carried out a light touch re-inspection of Hampshire County Council's Library and Information Service in February 2003.

We concluded that your service remained good, and that the prospects for further improvement have increased from 'unlikely' to 'promising'. We made a small number of recommendations, which the council has agreed and responded to.

Progress with the council's action plan is taking place as planned and there are no further issues for Members' attention.

Strategic regulation: future audit and inspection work

Strategic regulation contributes to improvement in public services by ensuring that regulators collaborate to identify each council's priorities for improvement, and provide assessments that are useful to managers, professionals, politicians and the public.

For the first time, we have brought together co-ordinated audit and inspection plans that make clear how our work supports the improvement agenda of each single tier and county council. These plans are now available on the Audit Commission website.

Our joint audit and inspection plan for 2003/04 was presented to Members in June. Our programme of work is proportionate to both the council's risks and its performance as assessed through CPA. We have structured our work programme across the following themes that help to clarify the purpose of our work:

- assessment

- improvement
- assurance.

The key areas of work programmed for 2003/04 are:

- the social care information system
- partnership arrangements
- social services financial pressures
- monitoring progress on your cross-cutting best value reviews as part of our ongoing improvement reporting work.

Audit and Inspection planning for 2004/05, linked to your improvement plan, will be carried out in early 2004.

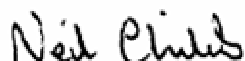
Status of our Audit and Inspection Annual Letter

Our Annual Letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. The letter is prepared by the Relationship Manager and District Auditor and is addressed to Members and officers. It is prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.

Closing remarks

This letter was discussed and agreed with the Cabinet on 15 December 2003.

I would like to take this opportunity to express my thanks for the assistance received from officers and Members over the period that I have been the council's appointed auditor. It has been much appreciated.



Neil Childs
District Auditor
18 December 2003

Comprehensive performance assessment – Scorecard (December 2003)

Hampshire County Council has made improvements in services over the last year.

Educational achievement for children at risk of social exclusion has improved and more children have stable family placements. The council is addressing increases in absence and exclusion of children in some targeted schools.

The council is working innovatively with local partners. Additional funding has been allocated to enable more elderly people to be discharged from hospital and to provide more intensive homecare. Prospects for further improvement are excellent. Investments are also being made to reduce traffic congestion and improve transport and road safety.

The council is refining how it sets and monitors priorities and needs to focus more on expected outcomes. It also needs to do more to meet the stretching targets it has set.

Based on current plans, the council is well placed to further improve the way it works and the services provided to local people.

Audit and inspection reports issued during 2002/03

Report	Issue date
Audit Plan	January 2003
Library and Information Service Inspection report	March 2003
Interim Audit report	June 2003
Review of 2003/04 Budget Process	August 2003
Review of Taxation Arrangements	October 2003
Review of Internal Audit	October 2003
Opinion on Financial Statements	November 2003
Financial Aspects of Corporate Governance and Communication with Those Charged with Governance	November 2003
National Fraud Initiative 2002	November 2003
Final Accounts	December 2003
Review of Nursing Home Care Project Business Plan	Due January 2004
Annual Audit Letter and Opinion on Best Value Performance Plan	December 2003

Auditor's statutory report on the best value performance plan

Auditor's Report to Hampshire County Council on its best value performance plan for 2003/04

Certificate

I certify that I have audited Hampshire County Council's BVPP in accordance with section 7 of the Local Government Act 1999 and the Audit Commission's Code of Audit Practice. I also had regard to supplementary guidance issued by the Audit Commission.

Respective Responsibilities of the Council and the Auditor

Under the Local Government Act 1999 (the Act) the council is required to prepare and publish a BVPP summarising the council's assessments of its performance and position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The council is responsible for the preparation of the plan and for the information and assessments set out within it. The council is also responsible for establishing appropriate performance management and internal control systems from which the information and assessments in its plan are derived. The form and content of the BVPP are prescribed in section 6 of the Act and statutory guidance issued by the Government.

As the council's auditor, I am required under section 7 of the Act to carry out an audit of the BVPP, to certify that I have done so, and:

- to report whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Act and statutory guidance and, where appropriate, recommending how the plan should be amended so as to accord with statutory requirements
- to recommend:
 - where appropriate, procedures to be followed in relation to the plan
 - whether the Audit Commission should carry out a best value inspection of the council under section 10 of the Local Government Act 1999
 - whether the Secretary of State should give a direction under section 15 of the Local Government Act 1999.

Opinion

Basis of this opinion

For the purpose of forming my opinion whether the plan was prepared and published in accordance with the legislation and with regard to statutory guidance, I conducted my audit in accordance with the Audit Commission's Code of Audit Practice. In carrying out my audit work, I also had regard to supplementary guidance issued by the Audit Commission.

I planned and performed my work so as to obtain all the information and explanations, which I considered necessary in order to provide an opinion on whether the plan has been prepared and published in accordance with statutory requirements.

In giving my opinion I am not required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the council. My work

therefore comprised a review and assessment of the plan and, where appropriate, examination on a test basis of relevant evidence, sufficient to satisfy me that the plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the plan complied with the requirements of the legislation and statutory guidance.

Opinion

In my opinion, Hampshire County Council has prepared and published its BVPP in all significant respects in accordance with section 6 of the Local Government Act 1999 and statutory guidance issued by the Government.

Recommendations on referral to the Audit Commission/Secretary of State

I am required each year to recommend whether, on the basis of my audit work, the Audit Commission should carry out a best value inspection of the council or whether the Secretary of State should give a direction.

On the basis of my work:

- I do not recommend that the Audit Commission should carry out a best value inspection of Hampshire County Council under section 10 of the Local Government Act 1999
- I do not recommend that the Secretary of State should give a direction under section 15 of the Local Government Act 1999.

Neil Child

18 December 2003