

Hart District Council

Internal Audit Service

August 2001

Best Value Inspection (Desk Top)

Version:

Final



Best Value Inspection Service

Report on Desk Top Inspection

Hart District Council

Internal Audit Service: Best Value Review

1. Introduction

1. I have undertaken a desktop inspection of Hart District Council's Internal Audit Service and its Best Value Review.
2. This report was compiled following a review of the documentation and written evidence submitted by the authority. The inspector conducted only limited on-site reality checks to verify the information provided. The Best Value Inspection Service reserves the right to carry out further inspection following a review of the documentary evidence.
3. The evidence reviewed comprised the best value review documentation, the results of a short visit to Hart District Council, and examining additional documentary evidence such as audit documents, audit plans, monitoring reports and training plans. The site visit was on 18 April 2001, when I took the opportunity to talk to Members and officers of the Council, and the Council's external auditors.
4. The Council's comments on this report are annexed.
5. The inspection concentrated upon addressing the six key Best Value questions contained in the Audit Commission's document "Seeing is Believing". The key findings and issues are detailed below.

2. Findings

Summary

6. Bearing in mind the limitations of a 'desk top' inspection compared to a full inspection, Hart District Council appears to have an internal audit service that is of good quality overall, and operates with a level of independence appropriate to its role.
7. The service appears to be currently providing a good service, which has the full support of its external auditors. However, more work is needed to fully define the role of the section and the relationship between audit and non-audit work. In addition, the performance management framework needs strengthening with the development of more local performance targets.

8. In terms of the potential for service improvement, I acknowledge the fact that the best value review was not complete at the time of inspection. However, I consider that the review to that date should have done more to clarify the role of audit and to explore alternative approaches to service delivery. More work is needed to make explicit the actions in the improvement plan necessary to address the issues facing the service and identified in the review. It needs to be re-assessed to ensure that it is ambitious enough, outcome focused, and follows ‘SMART’ [i.e. specific, measurable, achievable, realistic and time-lined] principles.
9. Although there were weaknesses in the improvement plan, there are clear signs of a commitment to service improvement, and mechanisms in place to promote this.
10. An important issue that should be addressed is the risk of possible reductions in the level or quality of future delivery, which might arise from the changing role of the Head of Audit & Personnel.

Context

11. Hart District Council is one of eleven district and borough councils in Hampshire covering an area of 21,000 hectares. The Council provides a range of services to approximately 87,415 people. The council is structured around five business units.
12. There are 35 councillors across 16 wards. The Conservative and Independent group with 19 seats has overall control of the council. The Council were operating within a committee structure at the time of inspection, but is now trialling a Leader and Cabinet system. The Council is relatively small in budget terms with total net expenditure for 2000/2001 of £10.8 million. The Council is one of just two in the country which receives no government subsidy in the form of revenue support grant and must therefore raise all of its income locally, from council tax, fees and charges.
13. The internal audit section in Hart District Council is part of the Audit & Personnel Section, which reports to the Chief Executive. The Head of Audit & Personnel also reports to the Audit & Review Committee. At the time of the inspection this committee had been disbanded prior to the Council’s move to a cabinet structure.
14. The section is managed by the Head of Audit & Personnel and consists of three internal auditors (2.75 fte).
15. These organisational arrangements have been in place since 1998. At the time of inspection the Council was considering a proposed restructure which would see the section becoming part of the Support Section which would also include Member Services, Legal Services and Data Protection.
16. The total chargeable plan for 2000/01 was 874 days of which 547 has been attributed to direct audit work. 327 days has been allocated for non-audit work, such as complaints and ombudsman queries, performance indicators and best value. The 2001/02 budget for the service is £199,400.
17. The best value review of internal audit service was started in May 2000. This was chosen as a ‘year one’ review, because the internal auditors assist with other best

value reviews and the Head of Audit & Personnel felt it would be a useful learning experience.

18. The review team for Internal Audit was established under the leadership of the Head of Audit & Personnel. It also included the Chair and Vice-Chair of the Audit & Review Committee, the corporate Best Value Officer, an internal auditor, and two internal customers.
19. The Internal Audit ‘Best Value Position Statement’ including the Improvement Plan was reported to the Audit & Review Committee on 28 November 2000. However, the review had not been completed at the time of my inspection, as work was still need to evaluate and assess future service delivery options. The Improvement Plan is discussed below.
20. Key issues that were explored during the site visit included:
 - Performance management, target setting and staff development;
 - The management of service quality and performance, including the audit planning process and the quality of the audit product;
 - Members’ involvement in best value;
 - The rigour of challenge;
 - Benchmarking;
 - The service track record of implementing change and responding to stakeholders views; and
 - The effectiveness of the Action Plan resulting from the review.

Addressing the Six Key Best Value Questions

Judgement 1: How Good is the Service?

Q1: Are the Authority’s aims clear and challenging?

21. The corporate mission of the District Council, set out in the documents I examined, is: “*to secure the provision for the needs and wishes of the community of Hart*”. The Council elaborates on this mission by stating that it aspires:

“to secure the provision of services of a quality that matches the requirements of the community of Hart;

to consult with and respond to the needs of our customers leaving them delighted with our service, having confidence in us in the future;

to be respected as the local employer of choice; and

to be receptive to new challenges and embrace change.”

22. The objectives of Internal Audit are set out in a ‘Team Mission’ as: “*The Monitoring and Audit team will work to supply an ‘adequate and effective’ internal audit service (as required by statute) and high quality monitoring functions. We will facilitate best value, accountability and the proper stewardship*

of public funds. We will also provide a responsive service to management and add value to the services of the Authority for the benefit of the people of Hart.”

23. The ‘Team Mission’ is supported by ‘Team Goals’ and key measures of performance success.
24. I understand from the Head of Audit & Personnel that these were last updated in 1999. The best value review was not used to reassess their continued relevance.
25. In my view, greater linkage is needed between the mission and the service objectives and key measures. The service mission needs to be more explicit and fully define why the service exists. The statement that the team will work to supply an “*adequate and effective’ internal audit service (as required by statute)*” does not elaborate on what the internal audit work is trying to achieve. From the key user perspective, i.e. that of the Council corporately, this is to evaluate and support the internal control framework in order to help identify and minimise the risk of system failure.
26. There are no clear links between the service objectives and any relevant corporate objectives. The best value position statement suggests that internal audit provides “*an important part of the proactive governance of the authority and some assurance that public money is being protected and spent wisely*”, but it is not clear how this supports any corporate objectives.
27. The service mission also refers to “*facilitating best value, accountability and proper stewardship of public funds and providing a responsive service to management and adding value to service*”. Again, it is not clear from the service objectives and key measures how delivery of this will be measured and achieved.
28. The key measures for performance success include ‘number of reports’, number of productive and non-productive days’, ‘timing of work’, ‘customer feedback’, ‘number of recommendations made’. However, there are no pre-determined targets for each, at both section and individual level, in order to judge the performance delivered.
29. Related to this, the balance between audit and non-audit work has not been made explicit in the service mission and objectives. I understand from the External Auditor that there is a commitment that the internal audit function will deliver as a minimum the core audit work (key financial systems), but there does not appear to be any clear strategy over the priority of non-key audit work and non-audit work. To avoid potential future problems over audit coverage, the authority needs to agree and communicate the exact role of the internal audit section in delivering audit and non-audit work. This debate should involve the audit section, the Section 151 Officer, the replacement Audit & Review Committee, Chief Executive and External Audit, to ensure that there is a consensus at all levels.
30. The role of internal audit is generally understood in terms of controls which help to identify and minimise the risk of system failure. However, I conclude that the service needs to identify more clearly its role in relation to corporate priorities, and how delivery of this mission will be measured and achieved.

Q2: Does the service meet those aims?

31. A key element in considering whether the service meets its aims is the ***view of external stakeholders***, in particular the Council’s External Auditors HLB Kidson. In the 1999/2000 Management Letter to the Council the External Auditors state:

“We concluded that Internal Audit was of good quality overall. Coverage of the significant financial systems was generally comprehensive and the working papers were easy to review. We have therefore placed reliance on Internal Audit’s work. Where coverage was insufficient for our purposes due to the timing or scope of Internal audits work, we extended our own testing”.

32. Following my discussions with HLB Kidson, it appears that this positive opinion is still valid. Although the ‘Managed Audit’ approach has not been fully adopted in Hart, I was told that this is due to concerns over the level of financial control in the organisation and is not a reflection of the quality of the audit team. I understand that the relationship between internal and external audit mirrors that of a managed audit set up with internal audit completing audit tests on behalf of the external auditors.
33. Whilst the External Auditors recognise that internal audit also have to carry out a number of other responsibilities, they told me that key financial systems work had not been compromised. They also said that the anti-fraud and corruption work that is carried out by internal audit was good and that the audit team recently undertook some fraud testing as defined by the Audit Commission’s Fraud & Corruption Manual, although this was not validated during the inspection.
34. The External Auditor was also positive about the fact that Internal Audit’s level of independence is high. I was told that Internal Audit *“have always told it as it is”*.
35. The service has recently introduced a post audit customer satisfaction questionnaire. Although only three had been returned at the time of inspection, these indicate that customers were satisfied.
36. I considered the effectiveness of the ***audit planning process***. The service has undertaken a risk-based audit needs assessment to develop its 2000/01 to 2004/5 Strategic Audit Plan. This in-house model involves assessing and scoring a number of key factors (complexity, gross expenditure, gross income, type of income, political sensitivity, audit experience, criticality) before discussing how allocations days are split over individual systems with service managers. The Head of Audit & Personnel told me that the five-year plan might not be reviewed every year. However I consider that an assessment of coverage and suitability is needed on at least an annual basis.
37. Staff told me that non-audit work is carried out at the expense of audit work. This is confirmed by the 2000/01 draft performance indicators (provisional at the time of inspection). Within the 2000/01 plan, 874 days were available of which 547 were planned for direct audit work and 327 days were allocated to non-audit work. However, the actual time spent on audit work was 489 audit days whilst time spent on non-audit work was 297 days. The audit plan had been revised during the year, to show that the balance of work was to be 491 audit days and 298 non-audit

days. This indicates that performance has been delivered against plan, but it has not been when compared against the original plan. The significance of this to the Council is difficult to assess since the desired balance between audit and non-audit work has not been made explicit in the service mission and objectives. This issue should be considered as part of an assessment of role and priorities for the service [see para. 26].

38. An important focus for my inspection was the *quality of the audit product*. During the inspection I examined two audit files (GIS implementation and Benefits) and the related papers. Whilst I did not go into the detail of the findings it appears that the work is logical and thorough. The level of quality control within the service appears to be good with the Head of Audit & Personnel, reviewing all audit briefs and every draft and final report and associated working papers. This was evidenced in the two files I examined
39. Whilst I support the current level of quality control within the audit process I have some concern that this will be difficult to sustain after the planned restructure when, I understand, the Head of Audit & Personnel may assume a number of additional responsibilities. The Council needs to ensure that its capacity to ensure a good level of independent quality control is maintained.
40. The current audit process appears to be good, with a high level of contact and discussion with auditees. An audit brief is prepared which outlines the relevant control objectives being reviewed, the scope of the audit, and the number of days available. Both the Auditee and the Head of Audit & Personnel sign off this brief.
41. The style of the audit report has been recently revised to make it more concise and easier to read. In my opinion, it appears to be appropriate. It includes an audit opinion on the control objectives, together with recommendations which are risk prioritised. A management response to the recommendations made is also included in the report. The Head of Audit & Personnel undertakes an analysis of recommendations made. In 2000/01, only one recommendation was not agreed by management.
42. However, although I support the view of the external auditor on the quality of work from the two audit files examined, I consider that the files could be improved further to make them easier to follow. I identified that auditors have different approaches when completing standard forms (Index and monitoring sheets). I would suggest that standard forms be completed for all files and fully completed for all audits.
43. In addition, I had difficulty linking the audit report findings and recommendations with the audit working papers. I consider that the files would benefit from introducing a report plan which cross references the report to the relevant working paper. I also consider that the audit testing could be more formalised, with the introduction of testing plans which indicate what tests will be carried out to assess each control objective. The filing of working papers should also be re-examined, to make it easier to find the testing related to individual control objectives.
44. One major issue currently facing the service is the implementation of audit recommendations. To date 30% of recommendations accepted by management

have not been progressed. I understand that greater emphasis is now being placed on auditors checking the level of implementation. This clearly has a resource implication and impacts on the ability to undertake new audits. One possible solution could be for managers to confirm in writing after a suitable period that they have implemented recommendations, so that auditors then check a sample.

45. To summarise, the External Auditor has a high regard for the service's work and effectiveness and there is evidence of customer satisfaction. The quality of the audit product is good, although a number of changes to current practice would lead to improvement.
46. However, there are concerns around the balance of audit v. non-audit work in relation to corporate objectives, and follow-up checking on the implementation of audit recommendations.

Q3: How does the performance of the service compare?

47. The section is currently part of the Hampshire 'small authorities audit group', which includes the audit sections from all Hampshire district authorities. This group is undertaking benchmarking work. So far, daily rates have been compared. The group is looking to carry out further comparisons by type of audit, but work is still need to ensure consistent definitions before true comparison can be made.
48. From the comparison with the small Hampshire authorities, Hart has the highest cost per audit day (£273.58). The section has identified that one of the major reasons behind this was due to the relatively high level of IT recharge. An exercise to review support service recharges is included in the improvement plan.
49. No process benchmarking had been carried out at the time of inspection with regards to efficiency measures, e.g. time taken to produce audit reports, time taken to complete audits, actual against plan comparisons. Therefore it is not possible to assess how efficient the service is in relation to other service providers.
50. Additionally, no attempt has been made to compare with service providers outside Hampshire such as Audit Commission Family Group authorities, nor is the Council involved in the Cipfa benchmarking exercise. Such wider involvement may give the audit section more information to assess relative performance, as a basis for identifying areas for further investigation.
51. To conclude, it is difficult to make meaningful comparisons on the limited data available, but it appears that Hart's audit costs may be high. A key issue is developing effective comparison data, and using it to drive performance management.

Judgement 2: Is the Service Likely to Improve?

Q4: Does the Best Value Review drive improvement?

52. As previously noted, the review team included the Chair and Vice Chair of the Audit & Review Committee, an internal auditor, and two internal customers. I welcome this involvement of key Members, 'front-line' staff and customers as a

mechanism for getting varied and non-management perspectives into the review process.

53. I considered the extent to which the Review had taken account of the ‘4Cs’ of Challenge, Consult, Compare and Compete.
54. With regard to **Challenge**, I consider this was insufficient. As discussed previously, there does not appear to have been a debate over the role of internal audit in relation to the relative importance of audit and non-audit work.
55. In addition, there has been no assessment of the relevance of other ways of carrying out the audit work, which may be a result of the lack of comparison of working practices with other providers. For example, one different way of delivering internal audit is Control Risk Self Assessment (CRSA). The advantages and disadvantages of the different types of this approach (facilitated meetings, questionnaire) were not discussed or debated within the best value review. However, I understand that a few years ago the internal audit section carried out a facilitated CRSA meeting with Development Control, which I was told proved to be a beneficial exercise.
56. From my understanding of its emphasis, the work of the benchmarking group does not yet lend itself to offering challenge to current systems and procedures, for example by providing a focus on identifying best practice.
57. With regard to **Consult**, the review involved an assessment of stakeholders’ perception of the service. A questionnaire was sent out to 100 cost centre managers, members and other officers. This identified that there were differing perceptions of the role and approach of internal audit. At the time of inspection the Head of Audit & Review was devising an ‘audit charter’ explaining how the service operates. This should help address the problem.
58. However, I understand that the Section 151 Officer and External Auditors were not directly involved in the review and were only asked to complete the review questionnaire. Their greater involvement would have assisted the challenge process, and helped to clarify the role of internal audit.
59. With regard to **Compare**, as stated previously the comparisons carried out during the review were limited to the Hampshire ‘small authority working group’ and only included cost comparisons. There has not been a wider comparison of working practices in other audit providers, both within local government and within other sectors (e.g. health service or private sector). Exploring different working practices could be used to improve the service’s efficiency, economy and effectiveness.
60. Finally, with regard to **Compete**, the best value review to date at the time of inspection had not fully considered the issue of future service provision. The improvement plan includes action to request submissions from potential providers, to analysis these submissions and then draw up a short list. This work has been done with the assistance of external consultants. However, the key task in the improvement plan to “*decide on the future procurement of internal audit service*

for Hart” had not taken place, and it was unclear whether the service will be outsourced or kept in-house.

61. Although the potential for partnerships was not discussed within the review, the Head of Audit & Personnel was actively considering the principle of a partnership arrangement with another local authority. No discussion had been held at the time of inspection. However, the Head recognises that the costs and benefits of different service delivery options need to be explored, and a recommendation made to the Council on the best way forward. Consideration of by whom and how the non-audit work will be delivered needs to be part of this assessment.

Q5: How good is the Improvement Plan?

62. An Improvement (‘Action’) Plan prepared following the review work to date was presented to Councillors on 28 November 2000 and subsequently approved. This outlines the tasks required, the responsibility for delivery and a suggested timeframe. These tasks relate to the key issues currently facing the service, and identified in the review:

- Future service delivery
- Benchmarking
- Promotion
- Reducing overspends
- Follow ups
- Purpose & Methodology

63. However, I consider that the improvement plan at the time of inspection was not explicit enough in defining service improvements, since it was not clear how service improvement will result from the actions stated.

64. Individual tasks are not linked to service objectives or any relevant performance indicator. In addition, apart from one exception (percentage of recommendations followed up) long term continuous improvement targets have not been set. It is therefore not clear what tangible improvements to service performance will result following the implementation of the plan. For example, one task is to continue to secure External Audit approval, but it is not clear what specific action is needed to do this and whether the plan is requiring additional action or is something the service is already doing.

65. Work is needed to fully define the work undertaken by service, and the outcomes expected by the Council, as the basis for any future contract specification. At the time of inspection, the Head of Audit & Personnel was planning to do this over the next few months, but this action is not explicit within the plan. This suggests that the best value review has not itself helped to define the future service.

66. The Improvement Plan also refers to defining the purpose and methodology of internal audit following the planned changes to the Committee structure and management structure. Whilst this action is supported, I consider that the review process should have helped to define purpose and methodology. The identification and understanding of purpose and approach is a key part of best value review.

67. The Improvement Plan had not been updated at the time of inspection to reflect changes since November 2000. Two examples were the change in relation to support services recharges to internal audit and possible extension of benchmarking.
68. The financial and non-financial implications of the improvement plan have not been identified, so it is not possible to determine the monetary cost of delivering these actions and the impact on current service delivery.
69. The time-scale for the Action Plan covers a period from December 2000 to March 2002. I would expect a robust improvement plan to cover a longer (five year) time period, and to identify key outcomes and milestones throughout the plan period. I recognise that it is often appropriate to identify detailed tasks for a shorter period, and identify detailed actions for the longer-term as part of a 'roll forward' of the plan. The plan should be revised to more explicitly identify longer-term improvement objectives and the key targets which relate to these.

Q6: Will the Authority deliver the Improvements?

70. On the basis of my interviews, I consider that the Head of Audit & Personnel and the staff are committed to development of the internal audit service and also the delivery of the improvement plan. In addition, there also appears to be a general consensus over the key issues that need to be addressed (market testing, promotion of the service across the authority, follow up recommendations, time monitoring).
71. Of the eight Action Plan tasks targeted for delivery before April 2001, one is now not deemed to be relevant (support service negotiations). Of the remaining seven actions, four have been delivered (starting the outsourcing process, revising the budget book, achieving target for recommendations follow up) but three are still outstanding (relating to progressing the outsourcing and re-working Service Level Agreements).
72. Performance against the audit plan is currently reported to the Audit & Review Committee. The report includes a detailed analysis of delivery against each line on the audit plan. Whilst I support the transparency of this, I suggest that the covering report includes a paragraph giving a summary of the latest position in order to aid interpretation.
73. There is no reporting of performance against the key measures identified in the Team Mission and goals. I consider that the Members, the Chief Executive and Section 151 Officer would benefit from an analysis of achievement against these local performance indicators.
74. The Head of Audit & Personnel is identified as the key person responsible for the delivery and monitoring of the improvement plan. His role may change as a result of a proposed restructure, which will involve assuming responsibility of all non-finance and IT support services. This proposal had yet to be agreed at the time of inspection. However, I was not convinced that the new post would allow sufficient capacity to dedicate the same level of time to monitoring the audit service and the

delivery of the improvement plan as assumed when the review was carried out. The Council should consider whether there is a need to prepare contingency plans to ensure the development of the service is not restricted, if the new arrangements do limit capacity to deliver the planned improvements.

75. Staff undergo regular performance appraisals with at least one full documented appraisal each year. These appraisals include the identification of key tasks although these are not linked specifically to the objectives of the section. Appraisal is linked to identifying staff's personal development needs, and each auditor has a costed training plan. However, these plans need to be updated to reflect both the training skills the Council requires for each type of auditor (e.g. trainee/established, or senior/junior) and the current skills gap between this ideal and the relevant individual.
76. As mentioned previously, the service has recently introduced a post audit customer satisfaction questionnaire. This is an initiative I support, since customer feedback is an important tool for driving service improvement. Customers need to be encouraged to provide this feedback since only three questionnaires had been returned at the time of inspection. However, the service's desire to learn from customer views is an important indicator of its commitment to improvement.
77. In conclusion, there is evidence that the service and its staff are committed to improvement, and key action tasks have already been achieved or are in hand. There are mechanisms in place to drive performance improvement, although these could be developed. The main concern is ensuring that there is continued management capacity to ensure delivery of the improvement plan, and to develop it further.

3. Recommendations

78. I recommend that the Council should address the following areas to strengthen its Internal Audit Improvement Plan:
 1. Service aims and objectives should be re-assessed in discussion with key stakeholders to fully define the role of internal audit, the balance between audit and non-audit work and how the service supports corporate objectives;
 2. The Improvement (Action) Plan should be re-assessed and revised, to ensure that it is ambitious enough, and based on a performance management approach which allows implementation to be monitored. It should:
 - be outcome focused;
 - have explicit five year continuous improvement input, efficiency and outcome targets set both at the service and individual level, which support the delivery of the revised service aims and objectives;
 - be based on 'SMART' principles, with clear local performance indicators developed to monitor improvements
 - be updated and monitored on a regular basis and where possible the financial and non-financial implications of delivering each task should be identified; and
 - be communicated to stakeholders.

3. To ensure effective performance which achieves service objectives:
 - future audit plans should be explicitly related to corporate aims and priorities, and then fully delivered to planned cost, timescale and specification; and
 - future organisational structures need to include appropriate mechanisms to ensure that current audit independence and quality control mechanisms are not adversely affected.
4. To enhance the current high quality of Audit Product:
 - the quality of the audit files should be improved by standardising working papers, developing report plans which link to audit reports, and setting out individual testing plans for each control objective.
 - input, efficiency and outcome based benchmarking should be carried out with a range of audit service providers (both within and outside Hampshire, and across different sectors), to identify best practice and different approaches to service delivery which could be adopted by the Council.
5. To ensure that the Council secures the most cost-effective and efficient internal audit service, the current approach to service delivery needs to be rigorously challenged by undertaking a full cost-benefit analysis of the different options (in-house, partnerships, outsourcing) for future service delivery, and proposals presented to the Council for agreement.

4. Appendix: List of Interviewees:

- Chairman of Audit & Review Committee
- Chief Executive
- Head of Audit & Personnel,
- Section 151 Officer
- Internal Audit Team
- Member of Best Value review team
- External Auditors - HLB Kidsons

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Annex 1: Hart District Council's Response to the Recommendations

“Recommendation 1

Agreed – see paragraphs 5 and 6 of earlier audit response (see Annex 2). However, see also paragraph 8 re non audit work.

Recommendation 2

Agreed – see paragraph 22 of audit response (see Annex 2).

Recommendation 3

Agreed in principle. However delivering planned audits to a timescale will always be complicated by the amount of reactive work we have to do. Also budgets for individual jobs have been pared down to a bear minimum due to resource constraints. A creditor review delivered in 12 days against a budget of 10 may appear to be 20% over budget. However, given that our risk analysis says that we should spend 15 days on all key systems, this could equally be seen as a 20% saving!

Recommendation 4

Agreed – see paragraphs 13 and 14 of audit response (see Annex 2). We have now redesigned our work papers, specifically linking findings to reports. We are also introducing a test schedule, linking tests to control objectives in a more logical manner.

Re benchmarking , we could do some process benchmarking. We believe that, given our small size, it is adequate to compare with like authorities.

Recommendation 5

Talks with other service providers have been put on hold, pending tentative discussions with a neighbouring authority re partnering. Agreed however that, subject to the political will being there, all options need to be fully explored.”

Annex 2: Hart District Council's response to the report

“We have now had a chance to consider your report on the above service. In general the report is fairly positive and acknowledges that we provide a good service. It is good to have an independent review, in that it brings new ideas and thoughts on best practice. While conceding that there are some improvements that we could make, some may well be out of Hart's reach due to financial constraints. There are, however, some useful recommendations that we can take on board.

Our more detailed comments are as follows:

1. *Para 7.* We accept that the options had not been explored sufficiently by the time of the review and this work remains outstanding. However, due to the fact that we are now in active negotiation with a neighbouring authority re partnership working, talks with private sector suppliers have been put ‘on hold’.
2. *Para 9.* The role of the Head of Audit and Personnel has changed since the time of the review and his input into the Audit function has been reduced. However, a new post of Audit Manager has been created and we are confident that the quality of the service will not decline. We have made a conscious decision to reduce the quantity of audit input and are monitoring carefully to ensure that the service remains ‘adequate and effective’ and continues to add value.
3. *Para 24.* Agreed that the service mission needs improving – we are currently working on it.
4. *Paras 25 and 26* Again we are trying to demonstrate via a new service mission statement how our work links in with corporate objectives.
5. *Para 27.* Agreed that we could set targets for number of productive and unproductive days. However targets for areas such as number of reports and number of recommendations etc would be meaningless.
6. *Para 28.* We have no choice over Performance Indicator and complaints work. Both have to be done and the latter has to be dealt with reactively. If audit coverage is threatened, we have contingency funds to help. The balance between audit and non-audit work is not explicit because it is, to some extent, an unknown quantity. Furthermore, our non-audit work is to be the subject of a separate Best Value review.
7. *Para 29.* This repeats issues already covered.
8. *Para 36.* The audit work was planned to take 62.6% of the total days available. The outturn was 62.2% of the revised total. We would challenge any audit team with non-audit responsibilities to do better. The total resources were reduced because of a corporate imperative to save money. This was achieved by holding a vacancy for three months. The audit work has been approved by external audit and so the objective was achieved, ie saving money by operating more efficiently. Surely this is Best Value? We accept that there may be a case for a different presentation of the plan, including showing the original plan for comparison.

9. *Para 38.* A good level of independent quality control **has** been achieved.
10. *Para 41.* Agreed that we should have an index and time monitoring information on all files and this is certainly the norm. All of our files are cross referenced and should be easy to follow.
11. *Para 42.* Agreed that, in some cases, more could be done to link findings as per work schedules to recommendations made in the report. We will address this issue. Ideally files should follow the order of the control objectives as per the audit brief – again we will work towards this.
12. *Para 43.* Worth considering.
13. *Para 45.* Although our stats for follow ups appear low, the fact that key systems are reviewed annually means that fieldwork will include follow up of last year's recommendations as a matter of course, but this will not be classified as a separate 'follow up'.
14. *Para 47.* It would be useful to quantify that impact.
15. *Para 48.* This is something we could perhaps do in future, but at the moment none of our colleagues do process benchmarking.
16. *Para 53.* We disagree. As already stated we were only subjecting our audit work to Best Value this year and were advised internally that we should not be assessing the impact of our non audit work.
17. *Para 63.* Disagree. We do not need to do anything new to keep Kidson's approval – we simply need to 'keep up the good work'. This would be like setting yourself an annual target to pass your driving test when you have already passed it!
18. *Para 66 and 68.* Agreed – this is something we need to do.
19. *Para 71.* Agreed – this is a good idea.
20. *Para 73.* Of course the audit input of the Head of Support (new title) has been reduced. However, he continues to monitor at a high level and an Audit Manager has been appointed with responsibility for maintaining and improving the service's standards.
21. *Para 74.* Last sentence – not sure that this is necessary with a small team. We believe that we are good at developing our staff.”