

Meeting: Audit Committee

Portfolio Area: Resources

Date: 26th June 2007

AUDIT COMMISSION'S ANNUAL AUDIT AND INSPECTION LETTER 2005/06
(Finance)

NON-KEY DECISION

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1 PURPOSE

1.1 To advise Members on the annual Audit Commission's Audit and Inspection Letter 2005/06 (attached at **Appendix A**).

2 RECOMMENDATION

2.1 That the Audit Commission's Audit and Inspection Letter 2005/06 be noted.

3 BACKGROUND

3.1 Annual Audit and Inspection Letter 2005/06

3.1.1 Under the Code of Local Government Audit Practice each year the Audit Commission is required to issue an Audit and Inspection Annual Letter to the Council commenting on its financial, legal and management arrangements.

3.1.2 The Audit and Inspection Letter must be prepared as soon as practical after the end of the financial year. It should be distributed to all Members, published and made available to members of the public.

3.1.3 The Council's accounts for 2005/06 were approved by the Statement of Accounts Committee on 29th July 2006.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Annual Audit and Inspection Letter 2005/06

4.1.1 The 2004/05 Annual Audit and Inspection Letter was published last year and reported to Executive in May 2006, but the audit opinion on the statement of

accounts 2004/05 had to remain open pending resolution of issues relating to the accounting treatment for the repayment of £2.6million English Partnership debt from 2000/2001 (Adjustment A). These issues have now been resolved and both the 2004/05 and 2005/06 Statement of Accounts have now been formally signed of by the Audit Commission.

- 4.1.2** This year, the publication of the 2005/06 letter had to be delayed in order to include the outcome of the new national Use of Resources judgement and pending the resolution of the Adjustment A issue, as referred to above.
- 4.1.3** The Audit Manager, Debbie Hanson, met with the Leader of the Council, the Executive Councillor (Resources), the Chief Executive and the Assistant Chief Executive (Finance) on Wednesday 21st March 2007. The meeting enabled a constructive exchange of views to take place between the Audit Manager and the Council's representatives concerning the Audit and Inspection Letter, which was agreed to be positive.
- 4.1.4** The full letter is attached in **Appendix A**. The main findings and comments were as follows;

Overall Summary

The Annual Audit and Inspection Letter provides an overall summary of the Audit Commission's assessment of the Council. It includes the Audit Commission's review of how well the Council has progressed (Direction of Travel report) and an assessment of how well the Council has managed its finances (Use of Resources scores).

The main messages for the Council are:-

- The Council has made improvements in key priority services and overall performance. The rate of improvement, as measured by a basket of performance indicators, is above average for District Councils, although improvement is less strong in some public facing services.
- The Council provides strong community leadership and a commitment to partnership working to deliver community outcomes. Community consultation is a strength. Links with, and better understanding of, ethnic minorities are developing.
- There is a growing culture of value for money within the Council, with a developing understanding of costs which will support improvements in service quality and efficiencies. Comparative performance in terms of costs has improved over the last three years; levels of reduction were one of the best within the Council's comparator group in 2005/06.
- The quality of working papers supporting the accounts has improved however there is scope for further improvement, particularly in relation to arrangements for capital accounting.

Actions needed by the council

The council should:

- Ensure consistent level of performance and improvement in key services, in particular in relation to public facing services;

- Continue to develop consideration of value for money; ensuring value for money is an integral part of the service reviews and scrutiny and developing key corporate indicators for value for money; and
- Continue to improve quality of working papers, particularly in relation to capital accounts in order to ensure that the statements are compiled in accordance with the new accounting requirements in future years. .

Financial Management and Value for Money

The appointed auditor provided:

- An unqualified opinion on the accounts;
- A conclusion on value for money arrangements to say that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- A report on the best value performance plan confirming that the plan has been audited.

Use of Resources Assessment

The Audit Commission have assessed the Council's use of resources, and concluded that progress has been made to strengthen and embed arrangements in a number of areas. In particular, improvements have been made in relation to financial standing and internal control, which have resulted in an increase in the Council's overall use of resources assessment from a score of 2 to a score of 3 - "consistently above the minimum requirements – performing well".

5 IMPLICATIONS

5.1 Financial Implications

There are no direct financial implications arising from this report.

5.2 Legal Implications

None identified at this time.

BACKGROUND DOCUMENTS

- None

APPENDICES

- **Annual Audit and Inspection Letter 2005/06**