

Annual Audit Letter

December 2005



Annual Audit and Inspection Letter

Herefordshire Council

Audit 2004-2005

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

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Key messages

Council performance

- 1 The Council has been assessed as performing adequately under the latest comprehensive performance assessment (CPA). The most significant issue arising from the review is that the social care services for children provided by the council are inadequate.
- 2 In addition to taking action on the social care services for children, the Council also needs to improve the performance management, develop the scrutiny function and enhance capacity by delivering its IT and accommodation strategies.

Financial position

- 3 The overall financial position of the Council was sound at 31 March 2005, with the accounts showing a £7.8 million underspend and £25.7 million of balances. The Council's pension fund deficit increased to £102 million, which is a cause for concern.
- 4 The 2005/06 budget includes £3.1 million of savings which the Council is seeking to achieve. The delivery of efficiency savings is a major challenge for the Council.

Other accounts and governance issues

- 5 Accounts production was good and very timely. We were able to issue an unqualified audit opinion by 30 September 2005.
- 6 Systems of internal control meet the minimum requirements but would be improved by developing risk management, the assurance framework and the role of the Audit Committee.
- 7 Although the new Code of Practice requirement for the auditor to form an opinion on the Council's arrangements to achieve value for money (VFM) applies from 2006/07, we were required to assess these arrangements as part of our use of resources judgement. We concluded that the Council's achievement and arrangements to manage and improve value for money are good.
- 8 Changes to the waste management PFI agreement are still not agreed and there continues to be a risk of contract termination.

Action needed by the Council

- 9 Members need to take the following actions.
 - Implement an improvement plan that addresses the three key areas for improvement identified in the corporate assessment; robust implementation of performance management, review of political structures and development of capacity.
 - Ensure that the actions identified by the joint area review are implemented and in particular ensure that the Council's social care services for children are at least adequate.
 - Monitor the delivery of the Service Improvement Programme, ensuring that planned savings are delivered.
 - Develop the role of the Audit Committee in providing leadership on audit and governance issues, including documenting the overall assurance framework.

Performance

We assessed the Council as meeting the minimum requirements under the new comprehensive performance assessment. This identified that the 'staying safe' arrangements for children are inadequate.

Comprehensive performance assessment

- 10 The Council was one of the first group of single tier and county councils to be assessed under the new comprehensive performance assessment framework, 'The Harder Test'. This has three parts; corporate assessment, joint area review and use of resources.

Corporate assessment

- 11 The purpose of the 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.
- 12 The corporate assessment team, concluded that the Council displays good community leadership in its driving of and investment in the Herefordshire Partnership. The Council is working effectively with its partners to achieve the clear and challenging ambitions set out in the community strategy. Priorities are based on a sound understanding of local needs. Shared priorities, in particular, are benefiting from closer partnership working, for example, in the areas of community safety and health.
- 13 The Council's performance in the shared priority areas considered by the team is variable. There are some clear weaknesses - aspects of children's services, and strengths - sustainable communities. The Council faces challenges in its capacity to deliver its priorities. It has further work to do to ensure that some of its internal processes, such as performance and risk management, are fully effective and consistent throughout the organisation.
- 14 The Council has been assessed as 'meeting the minimum requirements' (level two of four). The three key areas for improvement are:
- robust and consistent implementation of the performance management framework across the organisation;
 - review political structures in line with corporate priorities, particularly the use of scrutiny in managing performance and developing corporate policy; and
 - build on the investment the Council has made and continue to enhance capacity through examining the effective use of ICT and accommodation to transform services for people in Herefordshire.

Joint area review

- 15 The review examined services for children and young people. It considered the outcomes achieved by children and young people growing up in the Herefordshire area and evaluated the way local services, taken together, contribute to their wellbeing.
- 16 The review team assessed the education service as good, the overall management and capacity to improve of the Council's children's services as adequate. They concluded that arrangements for keeping children and young people safe are inadequate. Some important social care needs are not being met including the provision of adequate protection where there is a high risk of abuse or neglect. The criteria governing the involvement of the Council's social workers are 'set too high and fluctuate unacceptably in relation to current staffing'.
- 17 Our comments on use of resources are in the next section of this letter.

CPA scorecard

The CPA scorecard and Direction of Travel summary statement is due to be published on 15 December 2005. Under the new framework the Council is a three-star Authority which is improving adequately.

Table 1 CPA scorecard

| Element | Assessment |
|-------------------------------|----------------------|
| Direction of Travel judgement | Improving adequately |
| Overall | Three star |
| Current performance | |
| Children and young people | 2 out of 4 |
| Social care (adults) | 2 out of 4 |
| Use of resources | 3 out of 4 |
| Housing | 4 out of 4 |
| Environment | 2 out of 4 |
| Culture | 2 out of 4 |
| Benefits | 3 out of 4 |

| Element | Assessment |
|--------------------------------------------------------------------------------------------------------|------------|
| Corporate assessment/capacity to improve | 2 out of 4 |
| Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2005 | 3 out of 4 |

(Note: 1 = lowest, 4 = highest)

The CPA judgements this year have been made using the revised methodology: CPA - the harder test. As the title implies, CPA is now a more stringent test with more emphasis on outcomes for local people and value for money (VFM). As shown above the new assessment has resulted in Herefordshire moving from a score of three to two but the Audit Commission's protection rules will leave the assessment at three until all councils have been assessed in 2008. We have also added a new dimension, a Direction of Travel judgement that measures how well the Council is improving.

Direction of Travel report

- 18 Herefordshire Council is improving adequately and is a three-star authority.
- 19 The Council has generally maintained its services at the level we saw last year. However, it has experienced difficulties in recruiting and retaining staffing skills in some specific areas most notably in planning and in children's social care.
- 20 The Council is investing in some priority areas such as information technology, and environmental services where recycling rates are in the top quartile. Adult services scored the same but school examination results have continued to improve. Overall, 52 per cent of Herefordshire's performance indicators improved this year and 31 per cent are now in the top quartile.
- 21 The Council works well with partners in tackling health inequalities and deprivation and making the area a safer place to live, whilst homelessness and a shortage of affordable housing continues to be a challenging issue for the Council. Herefordshire is in the lower quartile nationally for homelessness and the Council has a good homelessness strategy. The shortage of affordable housing results in reliance on high-cost temporary solutions.
- 22 Performance management and monitoring is not yet fully embedded and some service plans in key priority areas such as caring for children are not well developed.
- 23 Based on current plans Herefordshire's has the capacity to improve but particular attention needs to be given to adults and children's social care where the prospects for improvement appear uncertain.

Other performance work

- 24 We reviewed the Council's progress with implementing the e-government programme and concluded that this is moving in the right direction. Following an internal review of the programme in 2004, delivery is now planned and controlled and tangible benefits are starting to become apparent.
- 25 The Council is planning and delivering technologies that support corporate priorities and improve access to services. It is on schedule to meet most of its implementing electronic government targets, with the major exceptions of e-procurement and use of Government Connect. This investment has achieved improvements for users. The e-Gateway project, for example, has had a significant impact on the provision of online services and information and has also enabled the Bromyard Centre to provide access to a wide range of public and community services. This development has led to increased opening hours and better physical access.

Performance information

- 26 The Audit Commission approach to the audit of statutory performance information changed this year, with a 'lighter touch' being applied. This meant that we were only required to reach an opinion on 15 indicators. We issued an adverse opinion on one indicator.

Working with other inspectorates and regulators

- 27 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. These include:
 - Ofsted;
 - Commission for Social Care Inspection (CSCI);
 - Benefits Fraud Inspectorate (BFI);
 - DfES; and
 - Local Government Office contact.
- 28 We share information and seek to provide 'joined up' regulation to the Council. During the last year, the Council has received the following assessments from other inspectorates.
- 29 CSCI's Annual Assessment has concluded that social care for adults is 'serving some adults well with 'uncertain prospects for improvement', whereas social care for children is 'serving no children well' and has 'poor prospects for improvement'.
- 30 BFI annual assessment the Council's benefits service concluded that it is good. This is a pleasing result, particularly as the implementation of the new benefits IT system was very challenging and resulted in a significant dip in claims processing performance.

Accounts and governance

The Audit Commission's overall assessment is that the Council is performing well in its use of resources.

We gave an unqualified opinion on the Council's 2004/05 accounts on 30 September 2005.

The governance role of the new Audit Committee needs to be developed.

Use of resources judgements

- 31 The use of resources assessment is a new assessment which focuses on financial management but links to the strategic management of the Council. It looks at how the financial management is integrated with strategy and corporate management, supports council priorities and delivers value for money (VFM). It will be carried out annually, as part of each council's external audit. For single tier and county councils, the use of resources assessment forms part of the CPA framework.
- 32 For the purposes of the CPA we assessed the Council's arrangements for use of resources in five areas.

Table 2

| Element | Assessment |
|----------------------|-------------------|
| Financial reporting | 3 out of 4 |
| Financial management | 3 out of 4 |
| Financial standing | 2 out of 4 |
| Internal control | 2 out of 4 |
| Value for money | 3 out of 4 |
| Overall | 3 out of 4 |

(Note: 1 = lowest, 4 = highest)

- 33 In reaching these judgements, we have drawn on our audit work and supplemented this with a review against specified key lines of enquiry (KLoE).

Financial reporting - audit of 2004/05 accounts

- 34 We assessed the Council's production of accounts as good. The accounts were produced by 30 June and were well supported with working papers. To achieve further improvement the accounts presented for audit should have no errors in excess of £400,000.
- 35 We are required by professional standards to report to those charged with governance (in this case the new Audit Committee) certain matters before we give an opinion on the financial statements. As there were no unadjusted errors in the accounts above £400,000 following our audit and no other matters that we needed to report we issued a brief letter to the Chairman of the Audit Committee.

Financial management

- 36 Our overall conclusion on financial management is that there are good arrangements in place. Early in the audit we reviewed financial management arrangements and issued a draft report, we subsequently followed this work up and considered the key lines of enquiry for the use of resources judgement.
- 37 The Council is developing financial planning and integrating it with corporate planning. The 2005/06 corporate and financial planning process is an important development in the Council's financial management. We note that the Council does not have a comprehensive medium-term financial plan document and have suggested that one is produced in line with good practice identified by the Audit Commission.
- 38 The management of performance against budget has also changed with the introduction of 'integrated reporting', considering financial and performance information together. This is good practice and we recognise that the council's approach to 'integrated reporting' is likely to develop further.
- 39 We also considered how the Council manages its asset base. Although the Council demonstrates some good practice and has a highly regarded Asset Management Plan, a quantified plan to reduce backlog maintenance of £22.6 million is not in place.

Financial standing

- 40 We concluded that the Council's financial standing meets the minimum requirements for the use of resources assessment. The three issues that prevented us from assessing financial standing as good were:
- although the Council consistently maintains its spending within budget overall unexpected over and under spends do occur as demonstrated by the social care overspend in 2004/05;
 - there is insufficient evidence that the Council has identified target levels of reserves and balances based on a thorough understanding of its needs and risks; and
 - monitoring information is not available that evaluates the effectiveness of recovery actions, associated costs, and the cost of not recovering debt promptly.
- 41 The Council's financial position reported in the 2004/05 accounts shows balances of £25.7 million and a net under spend of £7.8 million against budget. Much of this underspend and the resultant increase in the level of balances was due to the operation of the Council's committed expenditure rules and carry over rules. The council continues to work to a target of £3.0 million for unallocated balances.
- 42 Schools balances were £8.9 million at the end of 2004/05 and it is recognised that this level of balances is high. Through the Schools Forum the Council is seeking to ensure that where individual schools' balances are high the governors make a commitment to investing the excess in to the school infra-structure. If a school's uncommitted balances remain high in 2006/07 the Council will consider re-allocating the excess to the schools building improvement programme.
- 43 2004/05 was the first year of the new Prudential Framework capital controls introduced under the Local Government Act 2003. The emphasis is now on councils determining the affordability of their capital spending decisions. The accounts show that Council borrowing increased by £14 million with the implementation of the new Framework.
- 44 The Council's pensions liability increased compared to 2003/04 by £44 million and at 31 March 2005 liabilities exceeded assets by £102 million. The level of this deficit is a cause for concern as the Council is not currently in a position to meet its future pension liabilities for its workforce.
- 45 The 2005/06 budget setting process has also been reviewed by us. We concluded that the Council has a clear process in place which takes account of relevant factors, such as prior year overspends, capping and the requirements of the Local Government Act 2003.
- 46 The Council is committed to maintaining a balanced budget, reducing the initial budget by £3.1 million to contain the council tax increase to 4.3 per cent. This reduction was supported by a detailed analysis of the reductions by Programme and Service Areas and included documentation of the performance issues that are likely consequences of the reductions.

47 The medium-term financial plan was updated to take account of the 2005/06 budget position. This showed that in addition to the £3.1 million savings included in the 2005/06 budget there was a need for a further £2.0 million reduction in 2006/07 to maintain council tax increases around 5 per cent.

48 The Council is seeking to achieve these savings through the Service Improvement Programme designed to achieve efficiency savings whilst maintaining or improving service. The 2005/06 budget included £2.1 million to fund 'invest to save' schemes. The County Treasurer summarised the approach being taken in his budget report to Council on 11 March 2005:

'This programme is intended to take a fundamental look at the way in which the Council operates. It will seek to address the prospects for savings by entirely changing operational process. It is believed that there are significant opportunities for efficiency savings. Cabinet has agreed in principle to pursuing this approach, ensuring that savings generated are freed to support the Council's MTFP rather than individual Directorate and Departmental activity'.

(Page 27, paragraph 8, section g.)

49 The delivery of efficiency improvements is a major challenge for the Council. The 2005/06 budget setting process highlighted both the scale of the task and the need to ensure that the delivery of the Service Improvement Programme is effectively monitored.

Systems of internal financial control

50 The Council's systems of internal control meet the minimum requirements for the use of resources assessment. To improve the Council needs to develop:

- risk management, particularly with respect to partnership working and quarterly reporting to Cabinet on risk management issues;
- the assurance framework, in particular mapping strategic objectives to risks, controls and assurances; and
- the role of the Audit Committee to provide effective leadership on audit and governance issues.

51 We again reported that Internal Audit do not fully meet the Code of Practice for Internal Audit in Local Government standards. Although we anticipate that issues with respect to Audit Committees will be rectified consideration needs to be given to the requirement that the Head of Internal Audit reports directly to a member of the corporate management team.

52 There were significant delays in the completion of Internal Audit's 2004/05 programme due to long-term sickness. We are concerned that the timing of audits identified as high risk in the Internal Audit Plan slipped.

- 53 The Council's Audit Committee met for the first time on 30 September 2005 and considered its terms of reference. A key role for the Committee is to provide leadership on governance issues. As part of the 2005/06 audit, we have issued a draft report on improving audit reporting which will help the Committee in the development of its role.
- 54 We noted improvement in your arrangements to prevent and detect fraud and corruption, following our previous comments. The Council's arrangements to promote and ensure probity and propriety are good with respect to member conduct and housing benefit fraud. We have previously raised concerns about the general arrangements to raise awareness across the Council of fraud and corruption prevention and detection and action was taken in 2005 to improve this.
- 55 Local authorities are now affected by the Proceeds of Crime Act 2002 (which defines money laundering offences) and the UK Money Laundering Regulations 2003. When we reviewed the council's response to the Money Laundering Regulations only limited progress had been made. At April 2005 the County Treasurer had been appointed as the Money Laundering Responsible Officer and a note on ' the Procedures for dealing with the Proceeds of Crime Act and Money Laundering Regulations' had been drafted. No action had been taken to ensure that accountants and auditors within the council are aware of their responsibilities or to provide training to staff.
- 56 We have not identified any significant weaknesses in the framework established by the Council for ensuring the legality of its significant financial transactions. The Freedom of Information Act 2000 became law on 1 January 2005 and imposes two main responsibilities on public authorities:
- to produce a publication scheme which describes the information held and made available to the public on request; and
 - to respond to all written requests for information from 1 January 2005. A request must be processed within 20 working days and failure to do so can result in a referral to the Information Commissioner's Office.
- 57 Our discussions with the lead officer for Freedom of Information confirmed that the Council responded effectively to this new legislation. The Council's publication scheme is available on the website and is supported by clear procedures for handling Freedom of Information requests. Training has been provided to staff to help ensure awareness of the importance of applying the council's procedures in dealing with requests.

Value for money

- 58 The new Code of Practice requires the auditor to form an opinion on the Council's arrangements to achieve value for money (VFM). Although the 2005/06 audit is the first year that we will be required to do this, the assessment of value for money arrangements as part of the use of resources judgement supports this opinion.

- 59 We considered both the Council's achievement of value for money and the arrangements to manage and improve value for money. Overall we concluded that both good achievement and good arrangements are demonstrated.
- 60 The Council has a low comparative spend and a good performance as assessed by external regulators. Where costs are an issue, there are sound contextual reasons for these for most areas, for example home to school transport and waste management. This strengthens the value for money 'picture'. There is some good evidence that spend and investment has followed policy, particularly in education and services for older people.
- 61 Management and challenge of value for money is at an early stage and there is limited data on the user experience or analysis of corporate core costs (which are relatively high). There is evidence that value for money has been reviewed and improved, for example through the Shaw Homes and Herefordshire Jarvis contracts. There are some good approaches to procurement, for example the use of West Mercia Supplies. Approaches to value for money are not consistent across the Council and the Council has only recently engaged with the efficiency agenda at the corporate level and plans to deliver future efficiencies are at an early stage.

Other work

Waste management

62 The Council continues, together with Worcestershire County Council, to seek to reach an agreement with its PFI partner on arrangements for delivering the recycling requirements of the contract. It is disappointing that progress has been slow in 2005 and the implementation of national recycling targets and penalties mean that there is an urgent need to resolve this issue.

63 We noted in last year's letter that:

'Until the discussions with the contractor are finally concluded, there remains a risk that the contract could terminate. Contract termination could have a significant impact on the financial standing of the councils, because:

- termination clauses in the original contract will require the councils to repay the contractors shareholder equity in exchange for bringing waste management assets and facilities back in-house;
- the councils are likely to have to enter into a new contract in order to achieve the objectives of the Waste Management Strategy. Re-procurement costs are likely to be significant and the councils would be unlikely to secure the level of government PFI funding that was made available for the existing contract; and
- the inherent delay in putting new contract arrangements in place would expose both councils to potential future financial penalties under the Waste Emissions and Trading Act for failing to meet landfill diversion targets.

Members need to be mindful of these significant financial risks in particular, in considering the council's medium-term financial strategy'.

This continues to be our view.

64 Members should also be aware of the risks that the recycling arrangements present before they are approved.

White Cross School PFI

- 65 Early in 2005, the Council entered into a PFI contract for the re-provision of White Cross School. We were asked to comment on the proposed accounting treatment, and in particular whether it would lead to consideration of a qualification to future audit opinions.
- 66 From the evidence provided to us we were able to conclude that the proposed accounting treatment would not lead to a qualified audit opinion provided that:
- the Council did not change its view on the accounting treatment;
 - the scheme proceeds as outlined in the information made available to us;
 - the legislation, accounting standards, direction and guidance applicable to the council's accounts remain unchanged; and
 - no other matters were to come to my attention which would lead me to believe that the proposed accounting treatment is inappropriate.

Grant claims

- 67 In accordance with Strategic Regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims. We have reduced our audit of these claims but our ability to reduce further depends on the adequacy of the Council's control environment.
- 68 The Council's arrangements for managing and quality assuring grant claims submitted for audit has improved in recent years and we have agreed a new protocol to help improve arrangements further.

National Fraud Initiative

- 69 In 2004/05, the local authority took part in the Audit Commission's National Fraud Initiative (NFI). The NFI, which is undertaken every two years, aims to help identify and reduce fraud by bringing together data from NHS bodies, local authorities and government departments and other agencies, to detect a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud, tenancy fraud and payroll fraud as well as, new for 2004/05, right to buy scheme fraud and providing new contact details for former tenants with arrears in excess of £1,000.
- 70 We reviewed the Council's arrangements to follow-up data matches earlier this year. Although we concluded that appropriate arrangements were in place it was disappointing that the Council did not attend the free training provided by the Audit Commission to help ensure the efficiency of follow-up work.

Future audit and inspection work

- 71 We have an agreed plan for 2005/06 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2005/06 accounts, will be reported in next year's Annual Letter. Our planned work, together with that of other inspectorates, is included on both the Audit Commission and LSIF (Local Services Inspectorates Forum) websites.
- 72 We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the Council. We will continue with this approach when planning our programme of work for 2006/07. We will seek to reconsider, with you, your improvement priorities in the light of the latest CPA assessment and your own analysis, and develop an agreed programme by 31 March 2006. We will continue to work with other inspectorates and regulators to develop a co-ordinated approach to regulation.

Revision to the Code of Audit Practice

- 73 The statutory requirements governing our audit work, are contained in:
- the Audit Commission Act 1998; and
 - the Code of Audit Practice (the Code).
- 74 The Code has been revised with effect from 1 April 2005. Further details are included in our Audit Plan which was agreed with the Chief Executive. The key changes include:
- the requirement to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources; and
 - a clearer focus on overall financial and performance management arrangements.

Closing remarks

- 75 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented to Cabinet and Group Leaders on 15 December 2005.
- 76 Over the years I have worked with the Council I have been impressed by the positive and constructive approach it has taken with the issues we have raised in our audit and inspection work. I would like to take this opportunity to express my personal appreciation for the Council's assistance and co-operation during this time in this my last such letter to the Council.

Availability of this letter

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

David Rigg
District Auditor and Relationship Manager
December 2005

Appendix 1 – Background to this letter

The purpose of this letter

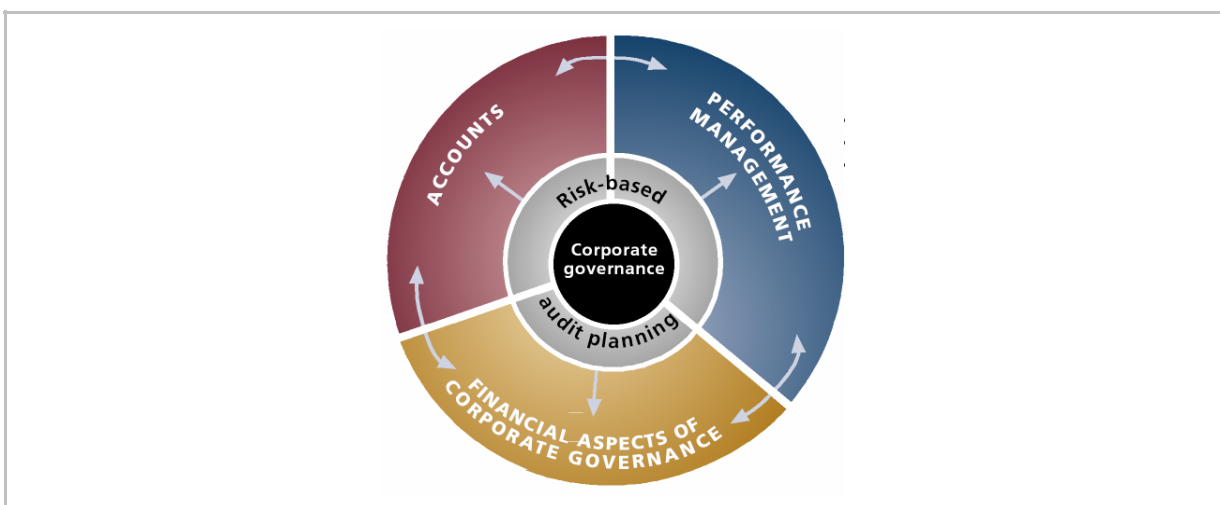
- 1 This is our Audit and Inspection 'Annual Letter' for members which incorporates the Annual Audit Letter for 2004/05, which is presented by the Council's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Council.
- 2 We have issued separate reports during the year setting out the findings and conclusions from the specific elements of our programme. These reports are listed at Appendix 2 for information.
- 3 The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.
- 4 Appendix 3 provides information about the fee charged for our audit and inspections.

Audit objectives

- 5 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, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.
- 6 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 Figure 1.

Figure 1 Code of Audit Practice

Code of practice responsibilities



- 7 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as shown below.

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.

Appendix 2 – Reports issued

Table 3

| Report title | Date issued |
|--------------------------------------------------------------------------------------------------|--------------------|
| Audit Plan (2004/05 Audit) | March 2004 |
| IT Risk Assessment | June 2004 |
| Review of Financial Management | September 2004 |
| Review of Internal Audit Compliance with Code of Practice for Internal Audit in Local Government | October 2004 |
| Audit Plan (2005/06 Audit) | March 2005 |
| Financial Aspects of Corporate Governance | April 2005 |
| Follow-up of Review of Financial Management (2005/06 Audit) | April 2005 |
| Core Process Review Report | April 2005 |
| Improving Audit Reporting (2005/06 Audit) | May 2005 |
| Internal Audit Update Report (2005/06 Audit) | May 2005 |
| Probity in Partnerships | July 2005 |
| Procurement Review | October 2005 |
| e-Government Review | October 2005 |

Appendix 3 – Audit fee

Table 4 Audit fee update

| Audit area | Plan 2004/05 £'000 | Actual 2004/05 £'000 |
|----------------------------------------------|-------------------------------|---------------------------------|
| Accounts | 81 | 81 |
| Financial aspects of corporate governance | 58 | 58 |
| Performance | 59 | 59 |
| Total Code of Audit Practice fee | 198 | 198 |
| | | |
| Additional voluntary work (under section 35) | - | |
| Total | £198 | £198 |

Inspection fee update

- 8 The full year inspection fee for 2004/05 was £34,300 and for 2005/06 £80,900. The work reported in this Audit and Inspection Letter has been funded by an element of the fee covering 2004/05 and by an element of the fee covering 2005/06. In both years, the actual fee will be in line with that planned.