



REPORT TO: Council Meeting
DATE OF MEETING: 26th April 2007
REPORT OF: Assistant Chief Executive
SUBJECT: Annual Audit Letter
ITEM NUMBER: 9

1 PURPOSE AND SUMMARY

1.1 Every year the Audit Commission publish their Annual Audit and Inspection letter. This normally includes a 'Direction of Travel assessment. This years Letter was issues at the end of March and is attached as Appendix 1. This year there is no Direction of Travel Assessment as the council has recently been subject to a full Comprehensive Performance Assessment Corporate Assessment. The Inspector's report on this will be published during June this year. The audit letter generally shows positive progress by the council.

1.2 Members are recommended to:

1. Formally receive the Annual Audit and inspection letter.
2. Support the implementation of improvement plans in place to secure continuous improvement and positive direction of travel
3. Acknowledge and celebrate the councils improved performance.

2. CONSULTATION

2.1 The Chief Executive, CMT, the Legal and Democratic Services Manager and the Head of Internal Audit have been consulted on the report. Comments have been incorporated.

2.2 No other consultations were considered necessary at this stage including external consultations or engagement.

3. CORPORATE PLAN AND PRIORITIES

3.1 The Annual Audit and Inspection letter is in effect a judgement on the corporate health of the council. It is therefore relevant to all corporate priorities.

3.2 The contents of the letter will be reflected in this years Corporate Plan which will be published by the end of June.

4. IMPLICATIONS

4.1 Financial implications and value for money

There are no specific financial or value for money issues relating to this report. That being said the Annual Audit and Inspection letter is significantly related to both financial and value for money issues. These issues are dealt, where necessary, within the body of the report.

4.2 Legal

There are considered to be no direct legal issues of significance arising out of this report.

4.3 Personnel

There are considered to be no human resource issues of significance arising out of this report.

4.4 Other Services

The Audit and Inspection letter is of relevance to all

4.5 Diversity

Part of the report acknowledges progress in terms of access to services through the Audit Report on Customer Services.

4.6 Risk

There are clear risks to the organisation in failing to continue to improve. In order to manage the risks the learning from the Annual Audit and Inspection letter will be built into an action plan.

4.7 Crime and Disorder

It is not felt there are any specific implications of the report on Crime and Disorder.

4.8 Other Implications

The report does not relate to a key decision. It is considered that the information can be communicated to the community by inclusion on the web – site. Indeed a copy of the letter has already been incorporated into the performance pages on the council’s web site. Further publicity will include a press release and coverage in this year’s corporate plan. It is not considered that there are any other implications arising.

5. **BACKGROUND, POSITION STATEMENT AND OPTION APPRAISAL**

5.1 The Annual Audit and Inspection Letter relates to the previous year and was issued at the end of March 2007. The Letter contains information and opinion about the council in terms of:

- results of service inspections, specifically Environmental Services and Housing;
- performance monitoring on behalf of the Monitoring Board, specifically the Service Improvement Team and Customer Services;
- financial monitoring and Value for Money judgements and specifically the Use of Resources judgement;
- implications of Local Government Review; and
- Local Area Agreement performance

5.2 The Summary set out in the letter notes that:

- There have been improvements in key service areas and in the way the Council works. In 2005/06 the Council has achieved the best rate of improvement and the highest number of performance indicators (from a selection of key PIs used for Direction of Travel assessments) among the Durham district councils;
- Arrangements for value for money have improved but are still at an early stage:
- Financial management has also improved, with a medium term financial strategy now in place. However, there were some weaknesses in the quality of financial statements in the accounts and in internal controls

5.3 In terms of service inspection the letter acknowledges that improvements have been made in terms of the Environmental Services and planning although there remains scope for improvement in both services. The Letter does not acknowledge that improvement plans for both services have been put in place since the inspections and are being implemented. In commenting on Monitoring Board activity the Commission considered that the Service Improvement Team had been valuable to how the council improved its services but ought to focus more on outcomes. In addition, the letter

acknowledges that the council is improving all aspects of customer care but there remains much to do to change the culture of the organisation and access to buildings. It is noted that in respect of the latter the Continuous Process Improvement projects have been extended within the council, are now part of the council's performance management framework, are built into the Organisational Development programme and are outcome focussed. Proposed works for improved access to buildings have been audited, costed, prioritised and are subject to consideration through the Capital Programme Working Group.

- 5.4 In terms of financial monitoring the Letter notes that the Commission have reported separately to the council on the issues arising from the 2005/06 audit and have provided:
- an unqualified opinion on accounts;
 - a qualified conclusion on vfm arrangements, on the grounds of not managing and improving VFM; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

The Letter goes on to state that::

- Arrangements for achieving, managing and improving VFM are now in place although they have not been in place long enough to deliver savings and service improvements.
- Financial management is improving and a medium term financial strategy is in place. Overspending against budgets has reduced, leading to a small call on reserves in 2005/06. Arrangements are now in place for departments to recover overspends in the next financial year.

- 5.5 While the overall Use of Resources Judgement score has not improved the council has improved its standing in terms of value for money and financial management. The letter also acknowledges that the council's arrangements for Data Quality are sound and further improvements are being made. While the council has improved it is disappointing that the council's overall Use of Resources judgement has not improved since last year. In view of this the council's Corporate Governance Working Group has developed an action plan to improve against the council's scores for the next assessment.

- 5.6 In terms of Local Government Review the Annual Audit and Inspection letter in effect warns the council to maintain its direction of travel while complying with the Code of Practice on Local Authority Publicity. The Letter also acknowledges the council's role in the Local Area Agreement and positive direction of travel.

- 5.8 Finally the Commission recommends the following action by the council:

- continue in its efforts to improve the way it works and to improve services, and in particular to ensure that these improvements are sustainable;
- contain spending within budget so that reserves are maintained at an appropriate level;
- produce accounts working papers to the standard agreed with the auditor and improve quality review processes to ensure that material amendments are not required to the financial statements once they have been approved by members in June; and
- in the light of Local Government Review, maintains its direction of travel while complying with the Code of Practice on Local Authority Publicity.

It is considered that improvement plans are effectively in place to meet these recommendations which are being implemented.

6. **RECOMMENDATIONS**

6.1 Members are recommended to:

1. Formally receive the Annual Audit and inspection letter.
2. Support the implementation of improvement plans in place to secure continuous improvement and positive direction of travel
3. Acknowledge and celebrate the councils improved performance.

7. **BACKGROUND PAPERS / DOCUMENTS REFERRED**

7.1 Annual Audit and Inspection Letter. Audit Commission March 2007

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10th April 2007

Version 2.0

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