

Committee: OPERATIONS
Date: 29 June 2006
Title: Annual Audit Letter 2004/05 – Progress Report
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Summary

1. This report outlines the response of the Performance Select Committee to the Annual Audit Letter 2004/05 and gives an overview of the actions being undertaken to improve performance in the areas highlighted in the Letter.

Recommendations

2. That this Committee notes the key actions proposed in this report.

Background Papers Background Papers

3. Annual Audit Letter 2004/05. CPA Use of Resources Key Lines of Enquiry.

Impact

Communication/Consultation	There are no specific communication or consultation implications contained in this report.
Community Safety	There are no specific community safety implications contained in this report
Equalities	There are no specific equalities implications contained in this report.
Finance	The Annual Audit Letter includes many references to the Council's finances and these are covered in the report.
Human Rights	There are no specific human rights implications contained in this report.
Legal implications	There are no specific legal implications contained in this report.
Ward-specific impacts	There are no specific ward implications contained in this report.
Workforce/Workplace	There are no specific workforce/workplace implications contained in this report.

Situation

4. The Annual Audit Letter from the Audit Commission was published at the end of March 2006, in accordance with the nationally prescribed timescale.
5. Previous Annual Audit Letters have focussed on the Council's financial management arrangements and financial standing. These Letters now go well beyond that remit by commenting on the Council's 'direction of travel' part of the Comprehensive Performance Assessment (CPA) regime. The latest Letter also gave detailed scores for the Council's Use of Resources, another element of the CPA regime. The Council obtained a score of 2 out of 4 for the Use of Resources, which is described as 'adequate' by the Audit Commission. As a guide for the Committee on what the Use of Resources requirements are, a recent consultation document from the Audit Commission is attached to this report. This indicates the current and proposed scoring requirements, subject to the outcome of the consultation currently taking place.
6. In accordance with the Council's Constitution, the Annual Audit Letter was referred to the Performance Select Committee during April 2006. This Committee: Noted the Key Messages and in particular the paragraph 'Council Performance' and advised the Council to act to achieve improvement.

Welcomed both the open acknowledgement by the Chief Executive that progress of improvement has been slower and more difficult than expected to achieve, and the recognition by leading Members that focused action is needed to boost progress.

The Committee recommended the following to support future improvement

- Further development of partnership working
 - Increased focus on procurement best practice
 - A workshop facilitated by the Audit Commission on the Council's Direction of Travel performance
 - Appointment of Member Champions for key priority areas and improvement initiatives and other action to clarify Member responsibilities."
7. The Performance Select Committee will receive an update on progress on dealing with the issues at its meeting on 15th November.

Progress to date

8. In practice most of the issues highlighted within the Annual Audit Letter were already known and acknowledged within the Council, and most of them are being progressed. The Chief Executive gave a presentation to the Performance Select Committee in April which gave more details of the Council's response.
9. One of the earliest tangible responses to the issues addressed by the Annual Audit Letter will become apparent when the Council receives the Audit Commission's report on the 2005/06 Statement of Accounts. This report,

Operations Committee

known technically as the International Standards on Accounting (ISA) 260 report will be received in September 2006 and it is hoped that this will lead to an improved assessment for the Financial Reporting element of the Use of Resources assessment.

10. Several other aspects of the Use of Resources assessment are for the Financial Services Unit to either undertake or at least lead on, although the overall approach is an issue for managers and staff across the whole Council. Some issues are of a very practical nature. An example is the requirement (Use of Resources Level 4) for the Council to 'publish an annual report or similar document which includes summary accounts and an explanation of key financial management/technical terms designed to be understandable by the public'. Other issues, such as the comment within the Audit Letter that value for money is not well understood around the Council will require more significant work in terms of training, review of Financial Regulations and procedures and the development of budget protocols and incentives, for example. Work such as this can be built into the 'People, Performance and Accountability' theme agreed as part of the Corporate Plan.
11. It is the intention of the Executive Management Team to re-visit the comments in the Annual Audit Letter on a regular basis in the next few months to ensure that progress is made on the key issues it contains.

Risk Analysis

Risk	Likelihood	Impact	Mitigating Actions
Failure to act on the issues raised in the Annual Audit Letter	Low	High	The co-ordinated response to the Audit Letter is a key issue for the Executive Management Team in the coming months and its importance as a factor in CPA scoring is well understood