

Annual Audit and Inspection Letter

Lancashire County Council

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Reference:	LA004 Annual Audit and Inspection Letter
Date:	January 2005

Executive summary

The purpose of this letter

This is our audit and inspection 'Annual Letter' for Members which incorporates the Annual Audit Letter for 2003/04, and 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.

We have issued separate reports during the year having completed specific aspects of our programme. These reports are listed at Appendix 1 for information.

Appendix 2 sets out the scope of audit and inspection.

Appendix 3 provides information about the fees charged.

Key messages

Council performance

The Council has improved its overall performance this year and this is reflected in the recent Corporate Assessment which has resulted in the Council being categorised as '**excellent**'. This is the highest category that a council can achieve in the Audit Commission's Comprehensive Performance Assessment (CPA) and reflects highly on the efforts of members and officers over the two years since the original CPA inspection.

The Council qualified to move to the higher category on the basis of improvements to key service areas, most particularly social care and environmental services. Improvements were also recorded in other service areas and in the council's corporate capacity to sustain improvement. This was verified through a proportionate corporate assessment that was carried out in November 2004. The results showed improvement in three corporate assessment theme scores; ambition, focus and performance management.

Performance management

Our conclusions from our performance reviews and inspections are set out below.

Corporate Objectives

The Council has made significant progress in developing performance management systems to support the achievement of corporate objectives. These systems need further embedding to ensure the achievement of the ambitious targets set out in the corporate plan and the community strategy, 'Ambition Lancashire'.

Community Cohesion

The Council has a good understanding of what it needs to do to put in place the building blocks to address community cohesion issues across council services and partnerships. Good progress has already been made in some areas.

Inspections

A number of inspections have been undertaken during the year. The conclusions from the key ones that impacted upon the comprehensive performance assessment are summarised below.

Ofsted concluded that Lancashire Education Authority is **highly satisfactory** and that none of the key areas of the Education Authority's work is less than satisfactory.

The Commission for Social Care Inspection (CSCI) in its annual performance assessment review awarded the Council **two-stars** out of a possible three. For children's services it concluded that the Council serves '**some**' people well and has '**excellent**' prospects for improvement. For adults services it concluded that Lancashire serves '**most**' people well and has '**promising**' prospects for improvement.

A Youth Offending Team (YOT) inspection concluded that it felt optimistic about the future of Lancashire YOT and that it was well placed to address the issues raised by the inspection. The overall assessment was that the YOT was **satisfactory with a good basis for development**.

Neither the detailed or summary findings of the Ofsted and CSCI work has been re-produced in this report as these have been made available via these inspectorates.

The **Audit Commission Housing Inspectorate** assessed the Council as providing a 'poor', **zero-star** supporting people service that has 'promising' prospects for improvement. Whilst this inspection did not score in the CPA model for 2004 it was considered as part of the proportionate corporate assessment particularly the progress being made against the action plan that resulted from the inspection. A follow up inspection is scheduled for 2005.

The Accounts

We issued an unqualified opinion on the accounts on 5 October 2004. The Council remains well placed to meet the earlier deadlines for the closure of accounts and production of financial statements.

Financial position

The Council's overall financial standing remains sound. Nonetheless there are financial pressures in service directorates. Strong financial management will be needed to maintain a sound financial position over the coming months.

Other accounts and governance issues

The Council has developed and maintained a sound system of internal financial control. Internal Audit is a key element of the control environment and provides an effective service.

Arrangements to prevent and detect fraud and corruption continue to reflect good practice. Savings were achieved from participating in the Audit Commission's national fraud initiative.

The Council has sound arrangements in place for considering the legality of financial transactions and ensuring appropriate action is taken.

Best Value Performance Plan

Your Best Value Performance Plan complies in all significant respects with the statutory guidance and an unqualified opinion was issued on 30 November 2004.

Action needed by the Council

- Ensure alignment and integration of the Ambition Lancashire strategy with the Council's plans.
- Ensure that the council's performance management system becomes fully embedded within the organisation.
- Ensure implementation and monitoring of the action plan agreed as part of the supporting people inspection.
- Ensure implementation of the recommendations identified in the Ofsted inspection, CSCI annual performance review and YOT Inspection.
- Corporate objectives – continue with initiatives currently ongoing to further strengthen arrangements, such as developing team plans.
- Community cohesion - develop a baseline profile as the basis of a shared understanding with partners and citizens as to what the key issues are.
- Continue to adopt a prudent approach towards financial management to ensure that overall financial health remains sound.
- Ensure the action plan resulting from our review of the Council's preparedness for the introduction of the Freedom of Information Act is completed and adequate monitoring takes place post 1 January 2005.

Council performance

The Council has translated many of the plans and areas for investment identified in 2002 into positive achievements. It has now been categorised as an 'excellent' council.

Corporate Assessment

In December 2002 the Audit Commission reported the results of the Comprehensive Performance Assessment (CPA), for the first time, for each council. The Council was categorised as good.

In December 2003 new CPA information was published for each county council, based on reported changes in service performance during 2003 and the Council was again categorised as good.

This year due to improvements in its service scores in Social Care and Environmental services it qualified for a proportionate corporate assessment. This was carried out in November 2004. The judgements are based on the Audit Commission's published key lines of enquiry, and include an update and analysis of the Council's progress against:

- the strengths and weaknesses contained in the 2002 report; and
- the Council's own priorities for improvement.

The Council has been categorised as an **'excellent'** council. It has translated many of the plans and areas of investment identified in 2002 into positive achievements. These have contributed to the improvement in the quality of life for the community.

The Council has worked with partners in Lancashire Partnership, the Local Strategic Partnership (LSP), to clarify a longer-term vision for the county and the partnership has recently published Ambition Lancashire, its community strategy. At this early stage, the strategy has not yet developed action plans that are measurable, resourced and timed.

Partners, both private and public sector, particularly mention the Council's inclusive and consensual decision-making arrangements over the last two years this and that has been one of its key strengths.

The Council has refined its own processes to better reflect and strengthen its ability to respond effectively to the challenges it faces. Improvements have been seen across the whole range of services since 2002. Social Services has moved out of special measures to two-stars and educational attainment is improving in most areas, including for black and minority ethnic pupils. It is working as a key partner to rebuild community cohesion in Burnley.

A key shift is a move from residential care for older people to providing support to enable them to stay at home. The council has also won beacon status for rural regeneration and has, over the last year, implemented 125 rural regeneration schemes to maintain and increase rural employment and prosperity.

While general improvement is evident, challenges still remain. Some 40 per cent of performance indicators are in the bottom two quartiles compared to other county councils and the Council has yet to reach the highest levels of performance in education and social services. The Council is aware of the work that still needs to be done in those areas.

Improvements to outward facing services have been matched by developments to systems and processes within the organisation. The Council's ability to prioritise resources to key services has been strengthened using decision conferencing, which resulted in a budget realignment of £6 million in the current financial year. It is developing a performance management culture which is being enhanced by the development of a new software system and an organisational change programme, though these are yet to be fully embedded throughout the organisation.

The Council continues to invest in the right areas in order to develop and improve services for local people. It continues to be open to learning opportunities and has pro-actively looked for good practice against which to measure its own performance.

Other performance work

Corporate objectives

Last year, in our Annual Letter, we commented positively on the improvements to performance management within the Council but also recognised there was still scope for further improvement. Over the last year we have worked with officers to support the Council's work on developing performance management further.

The Council has made positive progress in developing performance management systems to support the achievement of corporate priorities. A range of initiatives have been introduced. The extent to which these will lead to actual improved performance can, of course, only be assessed over time but there are clear signs that improvements are happening in services, for example:

- the links between the corporate plan and directorate business plans are evident;
- performance information is reported regularly to members and senior officers; and
- the introduction of Cabinet and Corporate Management Board members taking personal responsibility for cross-cutting and corporate objective issues.

There are a number of initiatives currently ongoing to further strengthen arrangements, such as developing team plans.

Community Cohesion

Councils' community leadership role, enshrined by the Local Government Act 2000, is fundamental to their role in building cohesive communities. Cohesion is generated through community relationships and can be facilitated by councils and their partners.

The Council has invested significant effort in improving its arrangements to support community cohesion. We have worked with officers to assess the Council's progress in putting in place arrangements to establish and share a clear understanding of community cohesion generally and of the community cohesion issues in Lancashire.

The Council has a good understanding of what it needs to do to put in place the building blocks to address community cohesion issues across council services and partnerships. Good progress has been made in some areas, for example developing suitable indicators. The key task now is to develop a baseline profile as this will form the basis of a shared understanding with partners and citizens as to what the key issues are.

Performance information

Best Value Performance Plan

We have undertaken our statutory audit of your Best Value Performance Plan to ensure it complies with legislation and supporting guidance. We issued an unqualified opinion on 30 November 2004.

Performance indicators

Your systems for producing performance indicators are satisfactory.

We found the performance information included in your Best Value Performance Plan to be well supported and evidenced and concluded that the Council's arrangements for producing and publishing the required performance information are satisfactory.

Working with other inspectorates and regulators

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.

We share information and seek to provide 'joined-up' regulation to the Council. During the last year the Council has had a number of key inspections including an Ofsted Inspection, Annual Performance Assessment by the Commission for Social Care Inspection (CSCI), YOT Inspection and a supporting people inspection by the Audit Commission Housing Inspectorate.

The work of Ofsted, CSCI and the YOT inspection teams have been reported separately and are not repeated within this report.

Supporting people

We assessed the Council as providing a '**poor**', **zero-star** supporting people service that has **promising** prospects for improvement.

The aim of the Supporting People programme is to establish a strategic, integrated policy and funding framework, delivered locally in response to identified local needs, which replaces the arrangements for providing housing related support services for vulnerable people. Supporting People grant in 2003/04 was over £30 million.

We identified a number of positive features of the service, including:

- some positive outcomes for service users are beginning to be realised as a result of the Supporting People programme;
- the aims of the Supporting People programme are clear and balance the priorities of a large number of partner agencies;
- links between the Supporting People programme and the local strategic partnership and other local multi agency partnerships are beginning to develop; and
- partnership structures are in place and a programme of service reviews is well underway.

However, we also identified a number of weaknesses with the Supporting People programme that need to be addressed. These include:

- only a small proportion [40 out of an expected 165] of interim contracts were agreed, signed and in place by February 2004;
- schedules agreeing the amount of Supporting People provision are not in place;
- payments are being made to providers to ensure that services are maintained; and
- relationships with external providers are poor.

In response to the weaknesses identified as the inspection progressed, the council took positive and decisive action. An improvement plan was developed to address the majority of the weaknesses identified. Most importantly actions were put in place to:

- improve relations and communications with providers;
- resolve the delays in agreeing contracts and administrative problems;

- improve engagement with service users drawing on the skills of partners and providers and activities already underway across Lancashire;
- develop performance management systems that measure service outcomes for service users;
- engage councillors more in the programme; and
- allocate additional resources to implement the programme.

A follow-up inspection is scheduled for 2005 to consider progress against the action plan.

Accounts and governance

Audit of 2003/04 accounts

We gave an unqualified opinion on the Council's accounts on 5 October 2004.

Audit of 2003/04 accounts

The published accounts are an essential means by which the Council reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. Members approved the Council's annual accounts on 23 August 2004.

We worked closely with the Director of Resources and his staff throughout the closedown process. We finalised the audit of the accounts to the agreed timescales in line with the required earlier deadline for this year. The deadlines will become increasingly difficult to achieve over the next two years and will require early planning. We will continue to work closely with officers over the coming months to ensure the earlier deadlines are met.

Pension fund

In addition to the Council's accounts we also audit the Lancashire County Pension Fund accounts. We also issued an unqualified opinion on these accounts on 5 October 2004. For the first time this year councils were required to fully disclose, in their accounts, future liabilities for pension retirement benefits under financial reporting standard (FRS) 17. The Lancashire fund achieved a return of 22.8 per cent on its investments, compared with the 'Benchmark' return of 23.2 per cent and the average local authority return of 23.4 per cent. The longer-term performance of the investment managers has since been reviewed by the investment panel as some investment managers have not met their performance targets. Consequently procedures have been put in place to restructure the investment management arrangements.

Report to those with responsibility for governance in the Council

We are required, by professional standards, to report to those charged with governance certain significant matters before we give an opinion on the financial statements. In your case those charged with governance are the members of the Audit Committee. We are pleased to say that there were no significant issues that we needed to discuss with members this year before issuing our opinion on the County Council accounts and those of the Pension Fund and this was confirmed in a the letter sent to members of the Audit Committee on 5 October 2004.

Financial aspects of corporate governance

One of the outputs from our work this year has been to update the 'auditor judgements' relating to the four key elements of governance arrangements, in line with our Code of Audit Practice responsibilities, and which contributed to the Council's Comprehensive Performance Assessment (CPA) for 2002/03. A summary of our overall assessments for each of the above elements is set out in Exhibit 1.

EXHIBIT 1

Financial aspects of corporate governance	Overall assessment	Key to assessments
Financial standing	4	1 = inadequate 2 = adequate overall, but some weaknesses that need to be addressed 3 = adequate 4 = good
Systems of internal financial control	4	
Standards of financial conduct and prevention and detection of fraud and corruption	4	
Legality of significant financial transactions	4	

Financial standing

Overall balances remain at an adequate level. However the Council is facing increasing financial pressures this year and in future years.

2003/04 outturn

The Council continues to maintain robust financial arrangements, setting and managing its budget under the framework of the three-year County Finance Strategy. Service Directorates manage their budgets within flexible cash limits which enable them to carry forward any under or overspends in the year. Quarterly financial reports are produced for Cabinet.

The Council's final outturn in 2003/04, at £1,058 million, was broadly in line with budget, showing a net under-spending of some £1.9 million at the year-end, which is within 0.2 per cent of the Council's net expenditure in the year.

The overall effect of this was to increase the county fund balance to £13.7 million at 31 March 2004.

The county fund balance represents around 2.2 per cent of the 2004/05 budget (excluding schools). The level of balances shows little change from last year and appears adequate in the context of the Council's overall spending and financial strategy. However the continuing financial pressures on the Council, particularly resulting from increasing operational requirements, mean members will need to carefully balance future spending plans and council tax precept increases to ensure the Council's prudent approach to financial management is maintained.

School balances

Total school balances of £47.5 million were little changed compared with the 2002/03 position and, overall, whilst balances for individual schools appear reasonable, the aggregate balance is high as identified in the OFSTED inspection of the LEA.

Nonetheless the balances held by several schools continue to exceed the guidelines which are issued by the DfES. The Council has stressed the need for schools to contain levels and has amended its Approved Scheme for Financing Schools with a view to improving schools' financial management. In addition twenty-three schools had deficit balances which in total amounted to £737,000 at March 2004.

Whilst it is the school governing body which has responsibility for financial management, it is important that officers continue to monitor the financial position of schools regularly throughout the year, so that remedial action can be taken at those schools where financial problems are identified, in a timely manner.

Capital expenditure

The Council's capital spending in 2003/04 amounted to some £91.6 million, mainly reflecting the Council's investment in assets that will be of long term benefit including new schools in Ormskirk and Accrington and highways improvements throughout Lancashire. Whilst there was some slippage against the revised capital programme of £115.9 million the reasons for this have been identified. The slippage will be financed from the resources previously earmarked for these schemes, which have been carried forward at 31 March 2004.

2004/05 financial year

The Council set a net budget of £1,080 million for 2004/05. The latest revenue monitoring report as at the end of October, (reported to Cabinet in December 2004) forecasts that those centrally held budgets, not devolved to directorates, will underspend by £2 million. However, for those budgets devolved to directorates under the Council's Devolved Financial Management (DFM), scheme DFM balances are projected to reduce from £8.4 million to £4.9 million, by the end of the year.

The Environment Directorate is forecasting an over spend of £0.8 million, mainly in relation to Waste PFI fees. This would eliminate its DFM balance in 2004/05. The Education Directorate is anticipating overspending by of £0.65 million during the year. Significant financial pressures have been identified around Social Services and, although an under spend of some £0.46 million is currently projected, this is significantly less than the under spend of £1.8 million projected earlier in the year.

A forecast reduction in DFM balances of some £3.5 million this year means less flexibility to meet unforeseen circumstances. Members will need to support the Director of Resources in continuing to manage the Council's finances on a prudent basis over the coming months.

2005/06

The financial settlement for 2005/06 was announced by the Government in early December and the Council's grant increase, at 5.3 per cent, is one of the lowest for shire counties, compared to an average increase for shire counties of 5.9 per cent. An increase in line with the average would have produced a further £4.7 million of grant income for Lancashire. The initial continuation estimates have now been reviewed and updated with the latest information and have reduced the budget requirements by £7.5 million to £1,151 million. Nonetheless this would leave a council tax increase of 6.45 per cent. Reductions from the continuation estimates would be required to reduce the council tax increase.

The financial pressures in the current year and the impact of the 2005/06 grant settlement mean members will be faced with difficult choices over the coming months in setting the council tax precept for 2005/06 whilst ensuring improvements to services are delivered and adequate balances are maintained.

The Council has always adopted a prudent approach towards financial management and it is important over the coming months that this is maintained to ensure that overall financial health remains sound.

Systems of internal financial control

We have not identified any significant weaknesses in the overall control framework. Internal audit provides a good standard of work.

Internal Audit

We rely, as far as possible, on Internal Audit coverage of key controls within the main financial systems. Periodically, our annual assessment is supported by a more detailed review of Internal Audit's work to ensure it complies with professional standards. This year we undertook such a review.

We concluded that Internal Audit meets the standards of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom and delivers a good standard of service to the Council.

Many of the good practices contained in the CIPFA guidance are in place at the Council. Particular strengths of Internal Audit's work include:

- independence;
- good audit planning processes;
- good working relationships with officers; and
- good use is being made of technology.

Prudential framework

The new prudential regime commenced on 1 April 2004 and replaced the previous capital finance legislation. The greater freedom introduced by the code will bring with it new risks and councils need to put in place arrangements to manage those risks. The Council was one of the 'road testing' authorities on the prudential code, with senior staff involved in its development.

This year we evaluated the progress the Council made in implementing and managing the new regime. Overall, we found that procedures have been put in place to facilitate implementation of the new framework.

In view of the significant change to the capital financing regime, we intend to continue to work with officers over the coming months to ensure the arrangements for implementing the Code and funding and controlling unsupported borrowing are appropriate.

Freedom of information

The Freedom of Information Act 2000 gives a general right of access to all types of 'recorded' information held by public authorities, sets out exemptions from that right and places a number of obligations on public authorities. Early in 2004 we reviewed the Council's records management arrangements and the arrangements in place to prepare for the Freedom of Information Act, which comes into force this month

(January 2005). Our work was based on a comparison, at that time, with a sample of 29 other authorities in England and Wales.

We found that the Council's progress was around the average of those we reviewed. The Council had a number of initiatives in place which should position it well to implement the Act.

These included:

- progress in developing electronic document management;
- the benefits of a good quality records and data sharing system, which is recognised in the Corporate Information Management Strategy; and

- the Council's Publication scheme, which has been approved by the Information Commissioner and displayed on the web site.

We agreed a number of actions with officers to strengthen arrangements, including establishing ownership and sponsorship, which has been taken on board by County Management Board. An action plan has been prepared to ensure the Council is in a position to be compliant with the Act in January 2005.

Electronic government

The Government announced some time ago the intention that, by 2005, 100 per cent of dealings between the public and local government should be capable of electronic delivery and they should be available through a variety of channels.

Earlier this year we looked at the arrangements in place in Lancashire to deliver the e-government agenda. We found many projects at different stages of development, all of which will contribute to meeting e-government targets. In particular, the Intranet is used for communicating information to staff and Web casting of Council meetings, available via the website, has been used for some time.

However the main vehicle for the delivery of e-government services to the citizens of Lancashire is intended to be a shared contact centre, developed by the County Council and six of the district councils within Lancashire

The total contract value for the project is expected to be around £12.5 million for the seven year contract, but the project has fallen behind its initial timescales by around six months due to procurement difficulties. It is, however, expected to be in operation by June 2005.

Standards of financial conduct and the prevention and detection of fraud and corruption

We have not identified any significant weaknesses in your arrangements for monitoring standards of financial conduct or the prevention and detection of fraud and corruption.

The Council has taken a positive approach to ensuring proper financial conduct and the prevention and detection of fraud and corruption. The Council also has a good track record of developing policies and procedures to implement new legislative requirements in a timely manner.

Legality of transactions

We have not identified any significant weaknesses in the framework established by the council for ensuring the legality of its significant financial transactions.

Issues raised by members of the public

During the year we have considered several matters raised by members of the public. These issues included matters related to recovery of debt, grants to voluntary bodies and economic development issues. In each instance, we have been satisfied that there was no evidence of improper or unlawful transactions and concluded that no further action was required by the District Auditor.

Other work

Grant claims

Over recent years the number of claims requiring audit certification has grown and audit fees have risen in line with this growth. In accordance with Strategic Regulation, the Audit Commission has adopted a more risk-based approach to the certification of grant claims. With effect from 2003/04 the smaller claims have not been subject to audit or have received a lighter touch. The approach to larger claims has been determined by risk and the adequacy of the Council's control environment.

We are working closely with officers to ensure robust arrangements are in place for the production and certification of claims to ensure the Council maximises the benefit from our new approach. Current indications suggest that the cost of audit certification for the 2003/04 claims may be around 15 per cent less than last year.

National Fraud Initiative

The Council took part in the Audit Commission's National Fraud Initiative (NFI) 2002/03. The NFI, which is undertaken every two years, brings together data from local authorities, NHS bodies, government departments and other agencies, to detect a wide range of frauds against the public sector. Total savings from the 2002/03 exercise exceeded £83 million [of which over £23,000 of annual savings were identified at this Council].

The Commission is repeating the exercise this year and will again collect payroll, pensions, housing benefits, student loan and housing rents data from Authorities. Alongside the core exercise a number of pilot initiatives are being undertaken at selected sites. These are focused on risk areas that were highlighted by authorities and include payments made to privately run care homes, abuse of blue badge parking permits, serial insurance claimants and duplicate payments to suppliers. These pilot areas, if they prove effective, will be incorporated into future NFI exercises.

Looking forward

Future audit and inspection work

We have an agreed plan for 2004/05 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 2004/05 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. This plan will be reviewed in the light of the Council's move from good to excellent.

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 2005/06. We will seek to reconsider, with you, your improvement priorities in the light of the recent corporate assessment and your own analysis, and develop an agreed programme by 31 March 2005.

In light of the Council's marking as an excellent council we will be reviewing in detail our work programmes for 2004/05 and 2005/06. We would welcome the opportunity to continue to work with Lancashire on its improvement agenda particularly in the light of the requirements of the new CPA methodology.

Revision to the Code of Audit Practice

The Audit Commission has consulted on a revised Code of Audit Practice for application to the audit of the 2005/06 accounts. The new Code, which will be laid before Parliament in January 2005, is designed to secure:

- a more streamlined audit, which is proportionate to risk and targeted on areas where auditors have most to contribute to improvement;
- a stronger emphasis on value for money, focussing on bodies' corporate performance and financial management arrangements (rather than individual services and functions); and
- clear reporting of the results of audits.

Further details will be provided in the Audit and Inspection Plan 2005/06.

CPA 2005 and beyond

The Audit Commission has also consulted on a new framework for CPA in 2005 and beyond. The main changes proposed are as follows:

- rationalisation of service blocks;
- 'achievement' assessment element of Corporate Assessment to be driven by review of Community Plan and shared priority themes;
- move away from a rigid numerical model, to one based on rules;

- Corporate Assessments to be undertaken on a rolling programme, integrated with Joint Area Reviews of children and young people;
- stronger focus on service delivery for users and customers; and
- more robust and explicit view of value for money and cost-effectiveness.

Closing remarks

This letter has been discussed and agreed with the Chief Executive and the Director of Resources. A copy of the letter will be presented to the Cabinet on 27 January 2005 and the Audit Committee on 14 March 2005.

The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

Availability of this letter

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



Michael Thomas
District Auditor and Relationship Manager

17 January 2005

Status of our reports to the Council

Our annual audit and inspection letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Annual audit and inspection letters are prepared by relationship managers and appointed auditors and addressed to members and officers. They are prepared for the sole use of the audited and inspected body, and no responsibility is taken by the Audit Commission or its appointed auditors to any member or officer in their individual capacity, or to any third party.

Audit and inspection reports issued during 2003/04

Report	Date
Audit and Inspection Plan	June 2003
Ofsted Inspection Report	February 2004
Supporting People Inspection report	April 2004
Freedom of Information Act Review	May 2004
Review of Internal Audit	May 2004
Interim report	June 2004
Implementing e-government, improving services (Draft)	June 2004
Stocktake on progress on community Cohesion	October 2004
Partnership working (Draft)	October 2004
SAS 610 letter	October 2004
Final accounts action plan	October 2004
Achieving corporate priorities through performance management (Draft)	November 2004
Corporate assessment	December 2004

Scope of audit and inspection

Audit

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.

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 Exhibit 2.

EXHIBIT 2 THE THREE MAIN ELEMENTS OF OUR AUDIT OBJECTIVES



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.

Inspection

Inspection work is based around Section 10 of the Local Government Act 1999, which requires us to carry out inspections and deliver reports that will:

- enable the Council and the public to judge whether best value is being delivered;
- enable the Council to assess how well it is doing;
- enable the Government to assess how well its policies are being implemented; and
- identify failing services where remedial action may be necessary.

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.

Audit and inspection fees

Audit fee update

Audit area	Plan 2003/04	Actual 2003/04
Accounts	£115,000	£115,000
Financial aspects of corporate governance	£43,000	£43,000
Performance/Assurance/Improvement	£121,000	£121,000
TOTAL CODE OF AUDIT PRACTICE FEE	£279,000	£279,000
Grant Claim certification	£170,000 (est.)	£155,000 (latest projection)
Additional Voluntary work (under Section 35)	nil	nil