

**AUDIT COMMISSION ANNUAL AUDIT AND INSPECTION
LETTER 2005/06****Report By: Audit Services Manager****Wards Affected**

County-wide

Purpose

To present to the Audit and Corporate Governance Committee the Audit Commission's Annual Audit and Inspection Letter 2005/06.

Financial Implications

Non- identified

RECOMMENDATION

THAT (a) The report is noted.

Reasons

Audit Commission reports form part of the Council's Statement on Internal Control Assurance process. Consideration by the Audit and Corporate Governance contributes to the development of the Committees role.

Considerations

1. The report summarises the Audit Commission's assessment of the Council. It draws on the findings and conclusions from their audit work and from analysis of the Council's performance and its improvement over the last year as measured by the Comprehensive Performance Assessment (CPA).
2. With regards to direction of travel the Council was found to be improving adequately.
3. Overall the Council is maintaining its performance and has made improvements in priority areas including safeguarding vulnerable children and helping more elderly adults to live at home.
4. Accounts production was good and timely. The Audit Commission was able to issue an unqualified audit opinion by the earlier deadline of 30th September 2006.
5. Systems of internal control and financial management had improved significantly in the year. The Council's arrangements for the acceptance of gifts and hospitality had been strengthened.

6. With regards to changes to the waste management PFI agreement, which is being negotiated in partnership with Worcestershire County Council, the Audit Commission highlighted that progress was slow and that there continued to be a risk of contract termination.

7. **Overall assessment CPA scorecard**

The detailed assessment for the Council is as follows:

Element	Assessment
Direction of Travel judgement	Improving adequately
Overall	3 star
Current performance	
Children and Young People	2
Social Care (Adults)	2
Use of Resources	3
Housing	2
Environment	2
Culture	3
Benefits	2
Corporate assessment/capacity to improve	2
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2006	3

(Note: 1=lowest, 4=highest)

Actions needed by the Council.

8. The following actions were highlighted
- The need to focus on improving service outcomes and ensure that actions recommended by the Commissions recent Performance Management Report are delivered;
 - Before awarding a contract for Herefordshire Connects, formally consider what other options are still open to the Council and the costs, benefits and risks of each option. The Council should then agree a process to monitor whether the expected financial and other benefits are delivered;
 - Monitor the improvement of joint working arrangements with the PCT in preparation for a forthcoming decision on whether to set up a Public Service Trust in Herefordshire;

- Ensure that the necessary changes to the waste management contract are resolved promptly;
- Further develop the ethical governance and anti-fraud culture within the Council;
- Ensure that improvements in value for money are accounted for in a straightforward and transparent way, by improving service planning and reporting arrangements;
- Monitor the development of corporate approaches to procurement; and
- Ensure robust approaches to benchmarking in all service areas, and ensure that challenge (e.g. Scrutiny) is robust.

Risk Management

9. If action is not taken on the areas identified for improvement, this will have an adverse impact on the Council's Use of Resources score. Members will be updated on progress.

BACKGROUND PAPERS

Annual Audit and Inspection Letter 2005/06