

<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>29 JANUARY 2010</b>
<b>TITLE OF REPORT:</b>	<b>ANNUAL AUDIT AND INSPECTION LETTER 2009</b>
<b>DIRECTOR OF RESOURCES</b>	<b>DAVID POWELL</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide.

### **Purpose**

To note the Audit Commission's Annual Audit & Inspection Letter for 2009 and approve the response to each of the four action points raised.

### **Key Decision**

This is not a Key Decision.

### **Recommendations**

- THAT**
- (a) Audit and Governance Committee comment on the Audit Commission's Annual Audit & Inspection Letter for 2009; and**
  - (b) receive an update report on progress at the next meeting.**

### **Key Points Summary**

1. The assessment contained in the Annual Audit & Inspection Letter is positive noting the Council has improved the way it manages itself in many areas. However, more time is needed to see the full results. The joint working between the Council and NHS Herefordshire including planning improves ways of delivering and procuring services should place the Council in a good position for the future. The Council manages its finances well and is also aware of the difficulties that will be caused by future cost pressures such as an ageing local population and tighter public sector funding settlements. The planned changes to the asset base should also bring benefits.

## **Alternative Options**

2. There are no alternative options.

## **Reasons for Recommendations**

3. To ensure Audit and Governance Committee are aware of the Audit Commission's assessment of the Council.

## **Introduction and Background**

4. The Annual Audit & Inspection Letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on the Commission's audit, inspection and performance assessment work over the last year. Many of the comments will therefore be familiar as this report summarises the key points of previous Audit Commission reports.

## **Key Considerations**

5. The Audit Commission has identified four issues that it feels need action. These are set out in paragraph 10 of the Letter as follows:
  - (a) Continue to actively pursue a satisfactory conclusion to waste management as soon as possible
  - (b) Continue to make progress in changing the way planning services are provided.
  - (c) Respond to recommendations in my follow up report on Adult Social Care in early 2010
  - (d) Ensure that the recommendations in the use of resources report are delivered.
6. Actions in response to the recommendations will be developed by the relevant Directors and progress overseen by the Joint Management Team within existing performance management arrangements

### **Value for Money**

7. The Letter notes the progress made on planning services that should also save money. The setting up of the Integrated Commissioning Directorate between the Council and NHS Herefordshire is seen as a positive method to deliver improvements.
8. It is acknowledged that the future of waste disposal in Herefordshire is linked to finalising discussions with partners. The work to reduce waste amounts going to landfill is acknowledged along with the need to deal effectively with biodegradable waste.
9. The new Use of Resources assessment was used for the first time in 2009. The outcome is that the Council is performing adequately in managing and using its resources to deliver value for money and better and sustainable outcomes for the county. The letter confirms the new assessment is broader and more demanding than the previous regime but that the Council has continued to make progress. The Audit Commission notes the Council performs well managing its finances with a good medium term financial planning process. Budgets are closely monitored. The close link between priorities and financial planning means that the Audit Commission has seen many positive outcomes from this process. Needs analysis has driven policy making and resource allocation. An area for improvement is the annual reporting of reducing the Council's environmental footprint.

10. Given the Letter covers the period when some public bodies were affected by the collapse of Icelandic Banks it is useful to note that the Council's treasury management arrangements are robust and a risk based approach has allowed arrangements to be adapted to recent events.

#### **Procurement Issues**

11. The Council is making steady progress embedding good procurement practice and monitoring adherence to the procurement framework. The Council has put in place effective arrangements to manage and challenge the change in partnership arrangements with Amey.

#### **Comprehensive Area Assessment**

12. The Letter covers the new Comprehensive Area Assessment framework for the independent assessment of local public services. The main highlights are

- People are healthy overall – but work is ongoing to reduce deaths in road and other accidents, strokes amongst women and obesity in adults and children and to improve children's dental health and ambulance response times.
- Crime is low and reducing – public bodies work well together to prevent and reduce crime and anti social behaviour.
- CO2 emissions are high due to reliance on cars and limited public transport.
- Rural areas have been particularly affected by the recession but overall levels of unemployment are still relatively low.

13. The organisational assessment is 2 out of 4. The Council is viewed as being "on a springboard for future improvement". Improvements to the way it manages itself are evident in many areas but more time is needed to see the full results. Major changes have been made to the way the Council and NHS Herefordshire work together.

14. Managing performance is assessed as 3 out of 4 with good plans for the future of the county which will lead to radically changing the way that organisations work together. Changes to services have led to improvements for people.

15. The overall assessment is a combination of the scores for Use of Resources and managing performance. The Council performs adequately rather than well because the changes to the way services are provided will be very challenging and it is too early to see all the results.

16. Ofsted has rated the Council's children services as performing well with A level exam results being amongst the best in the West Midlands. GCSE rates are showing improvements. The Council looks after the children in its care well.

17. Services for adults are improving and people are being more involved in planning and deciding the care they get. Further improvements can be made by making the process more systematic and collecting views of these who use the Council's services.

18. The Council has a good understanding of the needs and view of the people in the county. People's satisfaction with individual services is better than their satisfaction with the Council as a whole. Research is underway to understand this difference.

19. Targets for processing new Housing and Council Tax benefit claims are ahead of target and being produced efficiently. This along with the creation of 80 apprenticeships for young people created in conjunction with NHS Herefordshire indicate the Council has responded well to the problems caused by the recession.

## **Financial Statements and Annual Governance Statement**

21. The Audit Commission notes that the Council's financial statements and annual governance statements are an important means by which it accounts for its stewardship of public funds. The Audit Commission's significant issues were that the Council includes in the balance sheet in future years an estimate of the non material liabilities in relation to added years of pension awarded to teachers by the former Hereford and Worcester County Council.
22. A review of the level of insurance provision is also recommended.
23. Of note is the likely impact of International Financial Reporting Standards in Local Government on the level of capital accounting information required. To deal with this the bringing forward of a new integrated capital accounting systems to replace existing spreadsheets is essential.
24. The Audit Commission has been complimentary about the financial statements, find officers to be very responsive to requests for additional information and that our working papers are of a good standard. We received an unqualified opinion on our accounts and this was reported to the Audit and Governance Committee in September 2009.
25. The Audit Commission did not find any material weaknesses in our internal control arrangements. However, three internal financial systems were considered "inadequate" by Internal Audit.
26. Authorisation control weaknesses such as in the creditors systems must continue to be addressed.
27. Grant Claims went well and this is important given the Audit Commission audit approximately twelve claims on behalf of sponsoring government departments. No amendments were made to any of the three largest claims with audits going well. The Audit Commission felt the largest claim, Housing and Council Tax benefit, went particularly well with a greater requirements on self-checking by Council staff. In the Audit Commission's view this approach has saved the Council a significant sum of money. Smaller grant claims could be more efficiently handled and improvements are in hand

## **Next Steps**

28. The Annual Audit Letter made four recommendations. These are broad in nature and include a recommendation around continuing to make progress changing the way planning services are provided. It is proposed the next Audit and Governance Committee receives an update on progress.

## **Financial Implications**

29. None arising as a direct result of this report.

## **Risk Management**

30. The response to the issues identified by the Audit Commission in their Annual Audit & Inspection Letter 2009 will underpin an improvement in the Council's audit, inspection and performance assessments over the next 12 months.

## **Consultees**

The Audit & Governance Committee will be consulted on the Annual Audit & Inspection Letter for 2009.

## **Appendices**

Appendix 1 – The Annual Audit & Inspection Letter 2009.

## **Background Papers**

None identified.