

Meeting:	AUDIT AND GOVERNANCE COMMITTEE
Date:	17 JANUARY 2011
TITLE OF REPORT:	ANNUAL AUDIT LETTER 2009/10
PORTFOLIO AREA:	RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To note the Audit Commission's Annual Audit Letter for 2009/10 and approve the response to each of the action points raised.

Recommendation(s)

THAT:

- (a) the Annual Audit Letter be noted; and**
- (b) the Action Plan be subject to comment.**

Key Points Summary

- An unqualified opinion on the Council's financial statements.
- An unqualified value for money conclusion stating that the Council had satisfactory arrangements.

Considerations

1. The audit comprises two elements; the audit of financial statements and the auditor's assessment of arrangements to achieve value for money in the use of resources. In both cases the Council received an unqualified opinion.
2. The audit letter notes the major changes made to the way the Council and NHS Herefordshire operate. The significant work to plan better ways of delivering health and social care is outlined.
3. The letter states that better and more efficient decision making is evident around planning issues as a result of the changes to the committee structure.
4. The Council has generally good financial management arrangements. A well established medium term financial planning and budget process supports the delivery

of corporate and community plans. The letter indicates that a combination of the economic downturn and the comprehensive spending review mean that strong financial management and resilience will be more important than ever. The level of reserves and balances is adequate but increasing pressure may test their level of sufficiency.

5. As part of the work of the auditor an assessment of budget process is included it concludes the 2009/10 budget was soundly based on reasonable assumptions and savings targets. The pressure for Adult Social Care Services is covered in the letter that indicates the financial challenge presented by this area needs to be addressed.
6. Good budget monitoring and internal financial reporting arrangements could be further improved by moving to monthly reporting to cabinet rather than including financial reporting as part of an overall quarterly performance report. This will need consideration for 2011/12.
7. The Council's governance arrangements are viewed as effective and continue to be strengthened. Improvements are noted in risk management, decision making and scrutiny. Good proactive fraud work, particularly in the benefits service, has identified savings.
8. The management of physical assets is improving and is supported by a comprehensive set of plans to make the best use of these assets.
9. The letter also covers the review of waste disposal arrangements, support of older people, the transformation programme and regeneration. The previous year's review of planning services was also followed up as part of the overall audit programme.
10. Waste Disposal was reviewed and the risks around the current proposal's planning application are noted in the letter. The many variables associated with the project mean that it is difficult to have a clear view about value for money and cost. However the letter indicates it will only be at the time of granting planning consent that clarity will be available. The strengthening project management is indicated in the letter.
11. Support for Older People faces increasing demand for resources and the Audit Commission was subject to a follow up review in August 2010. The original review was concluded in late 2008 when some concerns were noted. The follow up review confirms an improved position with work carried out to address the previous shortcomings and that appropriate arrangements are now in place.
12. The Audit Commission's review of progress within the Shared Services programme is included in the letter. The letter confirms the project is a key part of the Council's plan to transform the way its services are delivered. The main recommendations from the auditor were to learn the lessons from the previous transformation programme. The key points were well underway to address these before the review was concluded.
13. The regeneration audit covered the Edgar Street Grid (ESG) project and the work focussed on managing finances, governing the business and managing resources. The ESG (now Hereford Futures) Board was viewed as being properly constituted and the governance arrangements were noted as being satisfactory. Further work needs to be done around benchmarking.

14. The follow up Planning Services audit found significant improvement under the new approach to planning decision making. A significant comment was that the Council worked quickly responding to the first review and that the revised roles of Members and officers brings greater clarity to the process. In addition debate at committee is enhanced and there is more transparency in decision making.
15. The inspection regime for local government has changed significantly over recent months. The audit letter confirms that the Audit Commission aims to introduce a new, more targeted and better value approach to local value for money audit work. The 2010/11 work will concentrate on financial resilience and prioritising resources within reduced resources.
16. The Audit Commission is no longer required to provide an annual scored judgement relating to local value for money work. The outcome of the 2010/11 work will be reported in the Annual Audit letter.

Risk Management

17. The attached action plan template will need to be populated to mitigate risks identified in the relevant audits.

Legal Implications

18. The Annual Audit letter is required to be agreed by the Council.

Communication

The contents of the letter will be the subject of a briefing to the Chair and Vice Chair of the Audit and Governance Committee.

Appendices

Action plan template

ANNUAL AUDIT LETTER RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	IMPROVEMENT ACTIONS	STATUS INCLUDING COMPLETION DATE
Address the issue of overspending in Adult Social Care.	Jana Burton	<ul style="list-style-type: none"> • Action plan in place and being monitored. • Funding has been reviewed as part of the budget process • Passporting of additions in local government settlement 	<ul style="list-style-type: none"> • Areas such as telecare being reviewed. • Current review of existing contractors. • Pattern of care provision being changed. 	<ul style="list-style-type: none"> • Ongoing • Meetings being held with Director of Resources • Update to JMT
Continue to implement the agreed action plan from our work on the transformation programme.	Dean Taylor	<ul style="list-style-type: none"> • The Action Plan produced following the Audit Commission review was last updated in December 2010 • A Transformation Programme Manager was appointed in November 2010 to oversee the Rising to the Challenge (RTTC) Programme • The RTTC Board is meeting bi-monthly; workstream Boards are in place • Business Cases and Benefits Plans are in place or are being developed 	<ul style="list-style-type: none"> • Continue to implement and review the Action Plan • Implement Agresso (phase 1) • Implement Scanning for Planning • Implement Frameworki Commitment Accounting • Review Shared Services Benefits • Establish the Corporate Programme Office 	<ul style="list-style-type: none"> • Ongoing • 1 April 2011 • In progress - May 2011 • In progress - April 2011 (through Agresso) • February 2011 • March 2011

		<ul style="list-style-type: none"> • The IT Investment Programme (Connects) reviewed and is on track • The Shared Services Business case has been reviewed and the approach approved by Cabinet/PCT Board/HHT Board in October 2010 		
Continue to actively pursue a satisfactory and prompt solution to waste management. Ensure that when the key decisions are made on whether the preferred solution delivers value for money, these are fully evidenced.	Geoff Hughes	The project to deliver a Contract Variation to the current Integrated Waste Management PFI to ensure that waste is diverted from landfill through an EfW at Hartlebury is progressing in accordance with the Project Plan. Planning consent is being sought by the contractor (Mercia Waste Management). MWM have started a tendering process for an EfW plan to be built at Hartlebury.	Both HC and WCC have, within the Project Plan, allowed for a detailed and timely analysis of the proposed solution and its capacity to deliver VFM. This includes the use of advisors to support this process.	Project Plan is monitored by Waste Advisory Steering Group and is progressing in accordance with that plan.

<p>Ensure that the recommendations from the detailed value for money conclusion report are implemented.</p>	<p>David Powell</p>	<p>Draft action plan to go to Resources leadership Team and Benefits Board.</p>	<ul style="list-style-type: none"> • Continue to develop VfM benchmark group participation • Build on work carried out by change champions 	<p>Ongoing with monitoring of action plan by Benefits Board.</p>
<p>Develop arrangements to gauge whether the Council's contribution to the Hereford Futures JVC is securing value for money.</p>	<p>Geoff Hughes</p>	<p>Hereford Futures is a Joint Venture Company which has recently been established to deliver regeneration schemes on behalf of Herefordshire Council in Hereford and its immediate environs. The company is currently jointly funded by the Council and AWM. From the 1st April, 2011 it will become 100% Council funded.</p>	<p>The Councils Management Accounts Manager will undertake a benchmarking exercise with other regeneration schemes to establish VFM in respect of key criteria like cost per job created, land released for development, new employment/retail space created, homes built etc.</p>	<p>The benchmarking exercise will be commenced in January and completed by March 2011.</p>