

South Cambridgeshire District Council

External Audit 2002-03

Annual Audit Letter

December 2003

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Appendix A: Key recommendations and Action plan

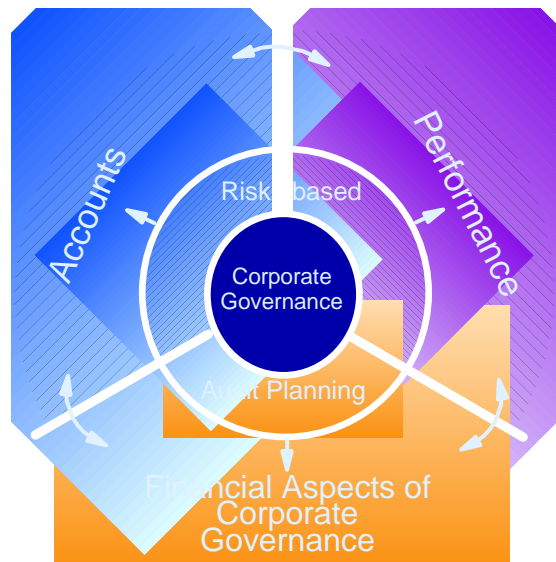
1 Introduction

Summary

- 1.1 This Annual Audit Letter has been compiled for the members of South Cambridgeshire District Council ('the Council'), in accordance with the requirements of the Audit Commission's Code of Audit Practice 2000. It summarises the results of the audit work we have undertaken at the Council, relating to the audit year 2002-03.
- 1.2 Our key messages are outlined in **Section 2**; and are presented in more detail in **Sections 3-6**. In **Section 7**, we set out how we work with the Audit Commission and in **Section 8** we look ahead to our future audit work. As indicated in the concluding **Section 9**, individual aspects of our work this year are supported by more detailed reports, where appropriate.

Background and coverage of this Letter

- 1.3 The work we have completed in 2002-03 was described in our Audit Plan, which was agreed by officers and members in March 2003. The Code of Audit Practice, which sets out our audit responsibilities, specifies that our work should cover three core areas, which are set out in the diagram below.



1.4 The key aspects considered under each code area are shown in table one:

Table one – Key elements of the Code of Audit Practice

Code Area	Key Elements of Work
Financial Aspects of Corporate Governance	<ul style="list-style-type: none"> • <i>Systems of Internal Control</i> • <i>Financial Standing</i> • <i>Standards of Financial Conduct, and the prevention and detection of fraud and corruption</i> • <i>Legality of financial transactions</i>
Accounts	<ul style="list-style-type: none"> • <i>Opinion on financial statements</i>
Performance Management	<ul style="list-style-type: none"> • <i>Use of Resources</i> • <i>Performance management arrangements</i> • <i>Best Value Performance Plan</i> • <i>Best Value Performance Indicators</i>

1.5 The work we undertake focuses on our assessment of the risks to the Council, which we summarised within our Audit Plan. Our work also applies the principles of the managed audit, whereby we work closely with management, Internal Audit and others, to ensure overall audit efficiency and effectiveness is maximised.

1.6 Our findings in this Letter demonstrate that we have met our overall responsibility under the Code of Audit Practice to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the adequacy of the Council’s arrangements in each of the Code areas.

Status of our Annual Audit Letter to the Council

1.7 Our Annual Audit Letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies, issued by the Audit Commission. It is prepared for the sole use of the Council and no responsibility is taken by us to any member or officer, in their individual capacity, or to any third party.

1.8 Our procedures are designed to support our audit opinion and they cannot be expected to identify all potential weaknesses or inefficiencies in an audited body’s systems and working practices. In addition, whilst our audit can provide an indication to the Council as to its general state of preparedness for the forthcoming Comprehensive Performance Assessment (CPA), its scope is limited to meeting the requirements of the Code of Audit Practice. It therefore does not replace the need for full and formal preparation for the CPA, which is scheduled for March 2004.

2 Key messages from our audit

- 2.1 Overall, the results of our audit indicate that South Cambridgeshire District Council has adequate arrangements in place to ensure the proper conduct of its financial affairs and to manage its performance and use of resources. There are a number of key messages arising from the audit which we wish to highlight to the Council. These are summarised in table two below and discussed in **Sections 3-7.**

Table two – Key messages arising from this year’s audit

Key Issue
<p>Financial aspects of corporate governance</p> <p>The Council has established adequate arrangements around financial aspects of corporate governance, including systems of internal financial control, financial standing, financial conduct and legality.</p> <p>Our review of budgetary control confirmed the findings of Internal Audit and the Strategic Review of Financial Management undertaken by the Council that improvements need to be made to the budgetary and management control process in order to achieve budgets and utilise the Council’s reserves in line with its financial strategy.</p>
<p>Accounts</p> <p>The accounts audit went smoothly. We anticipate issuing an unqualified opinion on the accounts in December 2003.</p> <p>The Council is required to bring forward the accounts production process by one month for 2003/04 in accordance with the 2003 Accounts and Audit Regulations. Our interim report identified a number of measures which may assist management in meeting this deadline.</p>
<p>Corporate Governance</p> <p>We are generally satisfied that the Council has appropriate arrangements in place around Corporate Governance.</p> <p>We recognise that the Council is in the early stages of developing a risk management framework, that a risk management strategy is now in place and risk registers have been produced for major projects. It is important now that the risk management framework is fully developed and a formal risk management programme is implemented, including incorporation of individual risk registers into a corporate risk register covering all of the activities of the Council</p>
<p>Performance management</p> <p>We are generally satisfied that the Council has appropriate arrangements in place to manage its performance and to secure economy, efficiency and effectiveness in the use of its resources.</p> <p>The key issue for the Council is to ensure that the targets set to meet priorities and the assessment of the extent to which services meet them, have a clear and consistent external focus based on outcomes identifiable to residents and service users.</p>
<p>Best Value Performance Plan</p> <p>We have reviewed the Council’s Best Value Performance Plan (BVPP), and anticipate issuing an unqualified opinion. We have identified areas where the plan can be strengthened, including the need to ensure a more consistent use of measurable outcome targets that adopt an external service user focus.</p> <p>Our audit of the Best Value Performance Indicators (BVPs) identified a small number of reservations and amendments. We provided our opinion on the BVPs in accordance with requirements.</p>

2 Key messages from our audit

Grant claims
Our grant certification work to date has not identified any significant issues which we wish to highlight. Our work on Housing Subsidy and Housing & Council Tax benefits is to be completed in the near future.
Comprehensive Performance Assessment (CPA)
The Council began to prepare early for the CPA which is to be undertaken in March 2004. While our formal role in CPA relates to completion of the "Audit Scored Judgments" which will be completed in early 2004, we have discussed the Council's approach with officers and have provided a commentary on the self assessment prepared for the peer review. Our informal view is that the Council has made good preparations for the CPA process but that further focus on the issues likely to be raised is necessary.
Relocation to Cambourne
We understand that the Council's relocation to new offices at Cambourne is progressing and remains on course for May 2004. There is an enhanced risk that the relocation may distract management from day to day activities and we would re-emphasise the well understood need to manage the remaining phases closely.

- 2.2 We set out in our audit plan for the year's audit, agreed by the Council in Spring 2003, our assessment of the risk associated with each area of the audit. Table three summarises those initial risk assessments and highlights key messages arising from our audit for each element of the Code of Audit Practice.

Table three– Summary of Audit Plan risk assessments

Audit objective	Code Objective met?	Risk assessment: (High = higher audit risk areas)	Key messages
Financial aspects of corporate governance			
Has the Council put in place adequate arrangements to satisfy itself that its systems of internal financial control are both adequate and effective in practice?	✓	Medium risk	Confirmed. Internal audit has completed their audit programme and we were able to place reliance on their work. Our testing of reconciliation controls identified a number of control weaknesses, which we reported in our interim report to the Council. The Council has implemented a new Financial Management System for 2003/04.
Has the Council put in place adequate arrangements to ensure that its financial standing is soundly based?	✓	Medium risk	Confirmed. The Council remains debt free with relatively high levels of reserves. However, the Council has again failed to utilise existing reserves in line with its financial strategy and the accounts for 2002/03 show an underspend on the CRA of £2.572million against planned expenditure budgets.

2 Key messages from our audit

Audit objective	Code Objective met?	Risk assessment: (High = higher audit risk areas)	Key messages
Does the Council have adequate arrangements to maintain proper standards of financial conduct, and to prevent and detect fraud and corruption?	✓	Medium risk	Confirmed. Corporate governance arrangements continue to be developed. The Council included a Statement of Internal Financial Control in its 2002/03 accounts as required. For future years the Council will be required to include a wider Statement on Internal Control in its accounts.
Has the Council put in place adequate arrangements to ensure the legality of transactions that might have significant financial consequences?	✓	Low risk	Confirmed. No significant issues have arisen from our work on arrangements to ensure legality of significant financial transactions.
Accounts			
Do the 2002-03 accounts present fairly the financial position of the Council and its expenditure and income for the year and were they prepared properly in accordance with relevant legislation and applicable accounting standards?	✓	Medium risk	Confirmed. A number of weaknesses were identified in reconciliation controls during the year. However, the final accounts process ran smoothly and accounts and supporting information were available at the beginning of our audit.
Performance management			
Does the Council have adequate arrangements to secure economy, efficiency and effectiveness in its use of resources?	✓	Medium risk	Confirmed. The Council is developing its performance management framework and working towards the CPA assessment due in March 2004.
Has the Council put in place adequate arrangements for collecting, recording and publishing specified performance information?	✓	High risk	Confirmed. Arrangements in place were generally effective. Our audit work identified two reservations and 13 amendments to published Performance Indicators.
Is the Best Value Performance Plan compliant with statutory requirements in respect of its preparation and publication?	✓	Low risk	Confirmed. An unqualified opinion will be provided on the Council's BVPP.

2.3 The following sections of this Letter set out our findings in greater detail. We invite the Council to receive our Annual Audit Letter.

3 Financial aspects of corporate governance

Introduction

- 3.1 Our governance work was mainly undertaken at the interim stage of the audit and was reported to the Audit Panel in April 2003. Much of our work in this area involves liaison with Internal Audit and we will continue to work closely with Internal Audit, to improve our joint working arrangements and increase understanding of our respective roles and responsibilities.

Systems of Internal Financial Control

Overall arrangements

- 3.2 One of the Council's main control resources in this area is its Internal Audit service, which is provided under contract by Deloitte. We have assessed internal audit against the CIPFA Code of Practice for Internal Audit, as a means of ensuring that it was operating in accordance with proper professional practice, and was likely to provide appropriate assurance to the S151 Officer in this respect.
- 3.3 It should be noted that the CIPFA Code of Practice for Internal Audit has been reviewed and was republished in September 2003 with a set of enhanced standards which internal audit will be required to comply with. We will discuss the changes to the code of practice with internal audit during the 2003/04 audit year although we do not anticipate there being any significant changes to the service.
- 3.4 We are pleased to report that we have no significant issues to raise regarding the organisational status and quality of internal audit staff, or the planning and management controls in place. We therefore consider that the service has generally been provided in accordance with the CIPFA code.
- 3.5 We have reviewed the work of internal audit on key financial systems on which we look to place reliance for final accounts audit purposes. We have generally been able to place reliance on the work of internal audit. We will continue to work with internal audit to ensure that, where possible, their work covers the controls on which we look to place reliance and have provided internal audit with our list of key areas for 2003/04 audit.

Systems of internal financial control

- 3.6 Our work on reviewing the Council's financial systems identified a number of control weaknesses, which have been reported in our Interim Report to Management. The key weaknesses identified were in relation to the operation of reconciliation controls during the year, which have been addressed by management. There are no further issues which we wish to bring to your attention.

Information Systems General Controls

- 3.7 We have completed a review of the Council's overall controls over Information Systems. Our work indicated that the Council has an acceptable level of control in place with regard to the IS/IT environment. There are no significant areas of weakness around Information Systems which we wish to

3 Financial aspects of corporate governance

highlight for your attention. However a number of areas for improvement were identified and these have been reported separately to management together with our recommendations.

Financial Standing

3.8 Our work in this area involves considering the Council's overall arrangements, including the arrangements for budgetary control. In addition, we monitor your financial performance, as the year progresses, primarily through reviewing the financial performance reports produced during the year.

Budgetary control arrangements

3.9 Our review of budgetary control confirmed the findings of Internal Audit, and the Strategic Review of Financial Management undertaken by the Council, that improvements need to be made to the budgetary and management control process in order to achieve budgets and utilise the Council's reserves in line with its financial strategy. As outlined below the Council has, again, underspent against budgets for 2002/03.

3.10 Our audit plan for the two year period 2002-2004 includes provision for a more detailed review of budgetary control, financial management and financial strategy. The results of this work will be reported upon completion, which is planned to be in March 2004.

Financial position

3.11 The Council's financial position remains strong with balances on the general fund and Housing Revenue Account of £10.4 million and £3.6 million respectively. The Council's financial strategy remains that of reducing the levels of these reserves over a period of years.

3.12 For the 2002/03 financial year the Council budgeted to use £3.1 million of Consolidated Revenue Account (CRA) reserves. The financial accounts for 2002/03 indicate that the Council has underspent against this budget by £2.6 million, thus utilising only £0.5 million of CRA reserves.

3.13 A surplus of £0.2 million is recorded on the Housing Revenue Account (HRA) against a budgeted deficit of £0.6 million, representing an underspend on the HRA of £0.8 million. As a result HRA balances have increased to £3.6 million.

3.14 The Collection fund records a surplus of £0.3 million for 2002/03 with a balance carried forward of £0.1 million.

3.15 In addition to the General Fund and HRA, the Council has other earmarked revenue reserves totalling £5.1 million at the year end.

3.16 The Balance Sheet shows net current assets of £53.3 million as at 31 March 2003, including £60.2 million of investments held at the year end. Fixed asset values have increased by £61.9 million mainly owing to revaluations during the year, these being matched by an increase in the Capital Reserve.

3.17 We pay particular attention during our audit to the recoverability of debtors and have held discussion with officers around the calculation of bad debt provisions. We have reviewed debtors and the Council's bad debt provisions against those debtors as part of our final accounts work. In overall terms we are satisfied that the Council has made adequate provision for debts that may not be collectable.

Standards of Financial Conduct and Fraud and Corruption

- 3.18 The Council has established arrangements to manage its affairs in accordance with proper standards of governance and conduct. The full range of governance policies and protocols have been prepared, and were up to date or had been identified for review where required. Training on policies and protocols was arranged as appropriate and the Council has appointed a Standards Committee.
- 3.19 We also found that arrangements for registering the pecuniary and non-pecuniary interests of the Council's members and senior officers are in place.

Legality

- 3.20 Our work has not identified any significant issues that we wish to bring to your attention in respect of the Council's arrangements to ensure the legality of transactions that may have a financial consequence. There have been no questions raised by members of the public during the year requiring our consideration.

4 Accounts

Introduction

- 4.1 We were presented with the Council's draft accounts for audit on 15 September 2003 and the Council complied with the requirement to approve the accounts in accordance with the statutory deadline of 30 September 2003. The audit was undertaken during September and October. In accordance with the revised Statement of Auditing Standard (SAS) 610, our detailed findings have been discussed with officers and reported to the Audit Panel on 23 October 2003. Overall the audit went smoothly and we would like to thank officers for their assistance during the course of the audit. We will issue an unqualified opinion on the accounts in December 2003.

Audit findings

- 4.2 We noted no errors on the primary financial statements that would impact on our audit opinion, or that would require adjustment to the accounts. We identified a number of disclosure matters which in our view would improve the presentation of the accounts. Most of these were straightforward and had little impact on the Council's reported performance. As reported to the Audit Panel in our report to those charged with governance, (technically known as a SAS610 report), we do not consider it necessary to identify these individually.

Public Inspection of documents

- 4.3 Section 15 of the Audit Commission Act 1998 provides that any interested person may inspect the accounts, bills, vouchers and receipts related to the accounts being audited. It is the responsibility of the local authority to advertise this right; and it is the responsibility of the auditor to respond to any questions raised by a local government elector for the council area. The audit may not be certified as complete until this process has been completed. Usually, this is completed during the period of the audit. This year, the Council did not advertise the inspection during the audit process, and is yet to do so. As a result, the inspection will take place during January 2004, and the audit cannot be certified as complete until the inspection period has ended and any matters arising have been addressed.

Accounts timetable in future years

- 4.4 Under the Accounts and Audit Regulations (2003) the Council is required to bring forward the accounts production process by one month in each of the next three financial years, such that the accounts must be approved by the Council by 31 August in 2004, by 31 July in 2005 and by 30 June in 2006 and subsequent years. Our interim report identified a number of steps for the Council to take to enable it to meet these shorter timescales.

5 Performance management

Introduction

5.1 The Code of Audit Practice states that '*It is the responsibility of the audited body to put in place proper arrangements to manage its performance, to secure economy, efficiency and effectiveness in its use of resources*'. As auditors, we consider these arrangements by reviewing and examining evidence that these arrangements are in place.

Overall arrangements

5.2 As a result of our work to date, as set out in the following paragraphs, we are generally satisfied that the Council has appropriate arrangements in place to manage its performance and secure economy, efficiency and effectiveness. As referred to in Section 7 of this Letter, next year the Council will receive its first Comprehensive Performance Assessment (CPA). Our performance audit work, whilst meeting the requirements of the Code of Audit Practice, has also been undertaken, in part, to provide an indication to the Council as to its general state of preparedness for the forthcoming CPA.

5.3 This year we carried out the following work under our Code responsibilities:

- ◆ participation in the Council's preparation for the Comprehensive Performance Assessment;
- ◆ review of overall management arrangements;
- ◆ audit of the Best Value Performance Plan;
- ◆ audit of performance information; and
- ◆ follow up of previous recommendations

This section of the report summarises all the above aspects of this year's performance audit.

Comprehensive Performance Assessment

5.4 The Comprehensive Performance Assessment (CPA) was introduced by The Audit Commission in 2002. It draws upon existing audit and inspection information and the work of a Corporate Assessment Team (CAT) to arrive at an overall evaluation of Councils' performance and capacity to improve.

5.5 As the Council's appointed auditor we have contributed to the CPA process to date by:

- ◆ providing ad hoc advice and guidance to the Council;
- ◆ auditing the Council's published performance information;
- ◆ considering the auditors' scored judgements which will contribute to the final assessment; and
- ◆ provided challenge on the Council's draft self-assessment document.

Overall Management Arrangements

Corporate Governance

- 5.6 The Council continues to develop its corporate governance framework. Although the Council has many of the elements of a Code of Corporate Governance these have not been fully integrated to create a full Code in accordance with CIPFA/SOLACE guidance.
- 5.7 The Council has made progress in establishing a risk management policy and risk registers for major developments (e.g. the relocation to Cambourne). However further work is required to ensure that the framework and processes for managing risk are fully developed and implemented across the Council. In addition the Council needs to develop risk registers covering all of the activities of the Council. We understand that the Council has recently contracted with Zurich in order to move forward on risk management and we shall review the outcome of that work as part of the 2003/04 audit.

Performance Management

- 5.8 We have reviewed the Council's Overall Management Arrangements. From our work we have concluded that the Council has established a recognisable corporate performance management framework. The establishment of Continuous Improvement Plans for all services is a consistent element in the Council's annual service planning cycle.
- 5.9 There are however a number of areas where improvements can be made to the existing performance management framework, including:
- The need to create and implement a Communications Strategy, and a model procedure for policy development, implementation and review;
 - Implement supporting procedures in order to ensure that risk management is integrated within service planning and delivery and corporately monitored and reviewed;
 - Ensure that targets intended to deliver the strategic objectives specify externally focussed measures of impact readily identifiable by residents and service users;
 - Ensure that objective setting and meeting corporate objectives is achieved to a consistent standard across the Council;
 - Ensure that the BVPP commits the Council to meeting national performance targets, and has in place action plans to do so where necessary;
 - Ensure that the Community Strategy and its partnership priorities relate clearly to the Council's discretionary and statutory obligations;
 - Ensure that the CIPs model incorporates measures of impact that are externally focussed;
 - Adopt an HR strategy that incorporates mechanisms to identify and build capacity, and fill future capacity gaps;
 - Ensure that the link of appraisals to delivering continuous improvement is corporately applied to an agreed standard, and
 - Actively involve members, (perhaps through Scrutiny) in the regular and annual review of action and improvement plans, taking corrective action where necessary.

Best Value Performance Plan Audit

- 5.10 The Council published its fourth annual Best Value Performance Plan (BVPP) in June 2003. The BVPP is a key public document that identifies the authority's assessment of how well it is performing and sets out its vision and plans for future priorities and targets for improvement.
- 5.11 As the Council's auditor we consider whether the Council has complied with the statutory requirements for preparation and publication of its BVPP and report our findings. However, we are not required to form a view on the completeness and accuracy of the information in the Council's BVPP or the realism and achievability of the assessments it contains. The Council is responsible for the information and assessments in the BVPP and the assumptions on which they are based.
- 5.12 We carried out our audit work in order to meet our statutory responsibilities which are to:
- certify that we have conducted the audit in accordance with Section 6 of the Local Government Act 1999;
 - give our opinion of whether the Council has prepared and published its BVPP for 2002-2003 in accordance with the Local Government Act 1999 and statutory guidance;
 - decide whether to recommend an inspection of the Council by the Audit Commission, or a direction from the Secretary of State; and
 - make recommendations regarding procedures in producing the BVPP.
- 5.13 We assessed the BVPP against the six criteria specified in guidance from the Audit Commission. Our audit confirmed that in all significant respects the Council prepared and published its BVPP in accordance with the law and regulations governing it.
- 5.14 Accordingly, we propose to issue an unqualified audit opinion on the Plan and will not be recommending referral to the Audit Commission or the Secretary of State.
- 5.15 Discussions during preparation and at draft stage of the BVPP meant most issues were resolved at this stage and the Council was able to satisfy us that the published Plan complied with the statutory requirements. We have made the following recommendations for improvements to next year's BVPP:
- clarify the reasons for having issues outstanding from best value review inspections, and
 - ensure a more consistent use of measurable outcome targets that adopt an external service user focus.

Best Value Performance Indicators

- 5.16 We completed our review of the Council's Best Value Performance Indicators (BVPIs) in accordance with the statutory deadline and submitted our opinion to the Audit Commission on 13 October 2003.
- 5.17 Whilst the Council has put in place adequate arrangements for collecting, recording and publishing specified performance information, our work identified a small number of issues with the published

5 Performance management

BVPIs, including two reservations and 13 amendments. These have been reported to the Audit Commission.

E-government

- 5.18 The Government's agenda for modernising the public sector, including local government, includes the rapid development of electronic service delivery. All levels of government are being encouraged to make full use of the potential for electronic service delivery to improve the speed, responsiveness, quality and coherence of services.
- 5.19 The Council has dedicated resources and a defined project management methodology to facilitate the delivery of the e-government initiatives. However, the current achievement percentage for systems online is 30%, which is half of the Council's planned target for March 2004. We strongly advise that the Council ensures that appropriate action is taken, and sufficient resources are directed to accelerate the development of e-government initiatives to meet the Government's stated goals for service delivery.
- 5.20 Our detailed findings in respect of E-government have been reported separately to management.

Financial strategy, budgetary control and financial management

- 5.21 Building on the work we have carried out this year, our audit plan for the two year period 2002-2004 includes provision for a review of financial strategy, budgetary arrangements and financial management at the Council. The findings from this review will be reported upon completion of the work and included in the 2004 Audit Letter.

6 Grant claims

Introduction

- 6.1 Each year we certify the expenditure funded by a number of specific central government grant claims. This forms a significant part of our audit and during 2002-03 we anticipate certifying claims for approximately ten schemes, including NNDR, Housing and Council Tax Benefits and Housing Subsidy.

Reports and amendments

- 6.2 At the time of writing we have completed work on three claims, namely NNDR, Housing Subsidy Base Data 2004/05 and Local Authority Social Housing Grant. The remaining claims have a deadline of 31 December 2003 and we will complete our work to meet these deadlines.
- 6.3 There are no significant issues arising from our work which we wish to highlight for your attention.

7 Working with the Audit Commission

- 7.1 This section explains how we work with the Audit Commission to support the improvement of the Council's services.

Relationship manager

- 7.2 This year, the Audit Commission introduced the post of Relationship Manager (RM) to its relations with the Council. The RM is responsible for coordinating the activities of the Audit and Inspection programme, although we remain responsible for delivery of the audit in accordance with the Code of Audit Practice.
- 7.3 As part of the new arrangements, we have liaised with the RM and have kept her informed of our performance audit findings, as they emerge. In addition, we anticipate attending joint meetings with the RM in the run up to the Council's Comprehensive Performance Assessment.

Comprehensive Performance Assessment (CPA)

- 7.4 Comprehensive Performance Assessment is about helping local councils improve local services for their communities. As well as looking at how well the Council delivers its services, it also considers how the Council is run, as this will impact on how well it delivers its services in the future.
- 7.5 South Cambridgeshire's CPA will be undertaken during March 2004, using the Commission's assessment framework of:
- a single overall judgement, covering core service performance and ability to improve;
 - scoring individual corporate assessment themes on a 1 to 4 scale, where 1 is 'weak' and '4' is strong;
 - five overall categories: excellent, good, fair, weak and poor; and
 - a single rule that if any of the Benefit Fraud Inspectorate, external auditor or diagnostic assessments (housing or public space) receive the lowest possible rating, the Council can not be scored as 'excellent' overall.
- 7.6 The Audit Commission will produce a single management report for the Council, as well as a shortened community digest. Reports will be issued as soon as possible after the inspection (normally about 12 weeks after the on-site inspection period).
- 7.7 Our role will be to provide 'auditor scored judgements' on key criteria, based on our Code of Audit Practice experience at the Council. In addition, we will be available to discuss with officers and Members our audit perspective on the Council's preparations for the Assessment, as they emerge.
- 7.8 We are pleased to note that the Council has a programme of CPA preparation, which includes arrangements for self-assessment and has already undertaken a peer review. The Council commenced

7 Working with the Audit Commission

preparations for CPA in plenty of time and we were pleased to have had the opportunity of discussing our experience of CPA elsewhere with Senior Officers.

- 7.9 The Council gave us sight of its draft CPA self assessment and asked that we comment on it. Our comments sought to strengthen aspects of the self assessment.
- 7.10 We shall seek to assist the Council address matters raised by the Peer review, where appropriate, in the period leading up to the CPA inspection.

8 Our audit going forward

Planning for the 2003-04 audit

- 8.1 In line with new Audit Commission guidance this year, our current Audit Plan covers a period up to 31 March 2004. The audit work for the second year of this plan will not be completed until the audit of the annual accounts for the year ending 31 March 2004 has been concluded.
- 8.2 Although our current Audit Plan covered the period to 31 March 2004, incorporating two financial years, we will re-visit our planning process for 2003/04 to confirm whether or not our risk assessments from last year remain valid. If we feel that we need to change the direction of our audit work, in any way, as a result, we will report this to you in an update to our Audit Plan.
- 8.3 Within the Audit Plan for 2002-2004, we included provision for a performance audit of a specific area to be identified following CPA. We will discuss the requirements with officers as part of our planning process.

Looking ahead to 2004-05

- 8.4 Our plan for the 2004-05 audit will cover the full financial year, commencing 1 April 2004. In preparation for this, we will carry out our planning process and have discussions with relevant senior staff at the Council, in the spring of 2004. We currently anticipate that, in line with Audit Commission requirements, our audit plan will be finalised in May 2004.

9 Concluding remarks

Reports issued during the audit

9.1 We list below our reports that have been issued, during the year, following completion of specific aspects of our work.

- Audit Plan 2002-2004
- Report of issues arising from Interim Audit
- Information Systems Risk Assurance
- Final accounts audit issues (under SAS610)
- Annual Audit Letter

Further reports will be issued to the Council in respect of:

- BVPP audit opinion
- Aspects of Performance Management

Acknowledgement

9.2 We wish to take this opportunity to thank you for the assistance that has been provided to us during this year's audit. We aim to deliver an audit programme that is of a high standard and provides a positive contribution to the planning and assurance processes of the Council. Achieving this aim is helped through your co-operation and support.

Appendix A: Key Recommendations and Action Plan

The table below summarises the key recommendations arising from our work in 2002/03 for members' consideration:

Para.	Recommendation	Action Plan
3.9	<p>Budgetary and financial control</p> <p>Management should identify the improvements which need to be made to the budgetary and management control process in order to utilise the Council's reserves in line with its financial strategy.</p> <p>Steps should be taken to implement these changes as a matter of priority to enable the council to meet its own financial strategy.</p>	
4.3	<p>Accounts production timetable</p> <p>Management should identify the steps required to ensure that the Council is able to meet the requirements of the Accounts and Audit Regulations (2003) to bring forward the accounts production process by one month in each of the next three financial years, such that the accounts must be approved by the Council by 31 August in 2004, 31 July in 2005 and 30 June for 2006 and beyond.</p> <p>Our interim report identified a number of steps for the Council to take to enable it to meet these shorter timescales</p>	
5.7	<p>Risk management</p> <p>The Council should ensure that the framework and processes for managing risk are fully developed and implemented across the Council. In addition the Council needs to develop risk registers covering all of the activities of the Council.</p>	
5.9	<p>Performance management framework</p> <p>Management should review the Performance Management Framework with a view to implementing the recommendations outlined in paragraph 5.9 of this letter.</p>	
5.19	<p>E-government</p> <p>The Council should continue to ensure that appropriate action is taken, and sufficient resources are directed to accelerate, the development of e-government initiatives to meet the Government's stated goals for service delivery.</p>	