

Management team

15 Jan 2008

The Annual Audit & Inspection Plan 2007/08 Mid-term monitoring report

Report of the Assistant Director of Resources (Audit & Risk Management)

Summary

- 1 This paper updates Members of the progress made so far this year in completing the work set out in the annual external audit & inspection plan for 2007/08, as approved previously by Members in June 2007.

Background

- 2 The Annual Audit Plan sets out the audit and inspection work to be conducted by the District Auditor in discharging his statutory duties to:
 - give an opinion on financial statements of the audited body;
 - draw conclusions as to the arrangements put in place by the audited body to secure value for money (ie the extent to which there are satisfactory arrangements in place for securing economy, efficiency and effectiveness in the use of resources).
- 3 In preparing the plan for 2007/08, the Audit Commission took into account:
 - the outcomes of the 2006 CPA Use of Resources work;
 - the quality and coverage of the work conducted by Internal Audit, placing reliance on the Internal Audit Annual Plan to make best use of scarce audit resources and reduce costs wherever possible;
 - an understanding of the key issues facing the organisation in the coming year based on a series of individual interviews conducted with key officers and leading Members over the last few months;
 - their assessment of the inherent audit risks arising;
 - the requirements of the Code of Audit Practice in discharging their statutory responsibilities in the conduct of the audit;
 - the planned corporate CPA assessment of the authority scheduled for Jan/Feb 2008.

- 4 The corporate client for the overall management of the annual audit & inspection service at the Council is the Assistant Director of Resources , Audit & Risk Management (AD ARM). The AD ARM meets with the Audit Manager (Audit Commission) on a monthly basis to monitor progress against the plan and discusses any issues arising from the audit with the Chief Executive and the S151 Officer as necessary throughout the year. The AD ARM and the Audit Manager also meet with the Chief Executive on a quarterly basis to discuss any significant matters arising during the conduct of the annual audit. Any serious matters of consequence to the good management and governance of the Council arising from the audit will always be reported to the Audit & Governance Committee for Members consideration. So far this year, there have been no serious matters of consequence requiring separate report to Members.

Progress monitor

- 5 Annex A (as provided by the Audit Commission) sets out a schedule of the principal areas of review and key products due to be delivered in 2007/08. These relate to both outstanding items still for completion in the current financial year further to the 2006/07 audit plan and to new work scheduled further to Members approval of the 2007/08 audit plan earlier this year. The key matters to note from this so far this year include:
- an unqualified opinion has been given on the financial statements;
 - an unqualified VFM conclusion has been given;
 - a score of 3 (Good) was given for the CPA Use of Resources assessment (an improvement on the 2 awarded in 2006/07);
 - an unqualified opinion has been issued in relation to the Council's Best Value Performance Plan;
 - all other work in respect of 2006/07 is now complete with the exception of:
 - the review of governance and performance management arrangements for the Local Area Agreement – the audit has been pended awaiting Council update of its LAA arrangements further to new directions from Government;
 - the annual audit letter – the annual reporting cycle for the AAL has now shifted from January to March as advised previously. The draft letter will be discussed with officers in February with a view to the final letter being taken to the Executive in March. It will then be reported to A&G Members in April along with an action plan to address any matters arising from the letter during the forthcoming year.
 - all other work in respect of 2007/08 is underway and is expected to be completed in accordance with planned dates for completion.

Fees & budget monitor

6 The fees for the audit in 2007/08 as notified by the District Auditor in his annual audit plan were specified as:

- core audit costs **£197k**;
- inspection costs (including this year's corporate assessment) **£126k**. Inspection costs in 2007/08 are considerably higher than in previous years due to the exceptional costs of the Corporate CPA inspection in early 2008. The total cost of the inspection is £208k, half of which is paid for by Government and the other half paid for by the Council;
- grant claims **£50k**. The Audit Manager has subsequently advised that grant claims work is likely to exceed £50k in total this year.

7 There are no significant variations on budget to report to Members at this time, although it should be noted that:

- the corporate grant claim budget may overspend at year end if costs cannot be contained in year and/or previously unplanned and/or un-notified additional grant claim work cannot be recharged to the relevant service Directorate. It is difficult to forecast the final outturn for this budget currently given that the budget for grants can only ever be indicative as work is done on a 'needs must' basis at the discretion of the District Auditor;
- the fees for audit will increase significantly for 2008/09 onwards to reflect additional work arising from a change in the audit & inspection regime following the introduction of the Comprehensive Area Assessments process and a new, extended, Use of Resources CPA regime from 2009 onwards. Full details of future fee proposals from the Audit Commission will be reported to A&G Members in April as part of the year end report setting out the final outturn on the 2007/08 audit and 2008/09 audit plan paper.

Consultation

8 Not relevant for the purposes of this report.

Options

9 Not relevant for the purpose of the report.

Analysis

10 Not relevant for the purpose of the report.

Corporate Objectives

- 11 This report contributes to the Council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

Implications

- 12 There are no financial, HR, equalities, legal, crime and disorder or IT&T implications arising from this report.

Risk Management Assessment

- 13 The Council will fail to properly comply with legislative and best practice requirements to provide for the proper audit of the authority. Any failure to do so would be unlawful and adversely impact on the Council's CPA score for the Use of Resources (and therefore the corporate CPA score for the in 2007/08).

Recommendations

- 14 Members are asked to:
- a) note the contents of the report.

Reason

To ensure the effective client management of the external audit & inspection service

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Report Approved

Yes

Date 27 December 2007

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

The Annual Audit & Inspection Plan (Audit Commission)

Annexes

Annex A Progress update commentary from the Audit Commission