

Report of: Chief Executive
To: Executive Board – 17 July 2006
Council – 24 July 2006

Item No:

Title of Report : Audit Commission Annual Audit and Inspection Letter

Summary and Recommendations

Purpose of report: To set out our response to the Audit Commission's Annual Audit and Inspection Letter.

Key decision: No

Portfolio Holders: 1. Leader of Council; Cllr Goddard
2. Portfolio holder for Better Finances - Cllr Stephen Tall

Scrutiny Responsibility: Finance

Ward(s) affected: All

Report Approved by: Cllr John Goddard - Leader of Council
Caroline Bull - Chief Executive
Jeremy Thomas - Monitoring Officer

Policy Framework: None

Recommendation(s):

1. The Executive Board:
 - a) Notes the Audit Commission's Annual Audit and Inspection Letter.
 - b) Agrees the action plan in Appendix 1.
 - c). Recommends Council to note the Audit Letter and the Executive Board's response.

Context

Each year the Audit Commission presents an annual audit and inspection letter, which draws together conclusions from their audit of our accounts, and their audit work throughout the year. This year, for the first time, the letter also includes an assessment of our "Use of Resources". This is an annual review that forms part of our Comprehensive Performance Assessment (CPA). Taken together the letter provides an independent assessment of how the council is doing. The letter is attached as Appendix 2.

The annual audit letter was delayed because:

- All district authority annual audit and inspection letters were delayed until around March 2006 - because the Audit Commission needed extra time to carry out the use of resources assessments.
- We disputed the use of resources scores, which further delayed the process.

The Audit Commission will produce a report on the set of accounts for the year ended 31st March 2006 around September this year. The next report setting out progress against CPA will be produced around March 2007.

The purpose of the Annual Audit and Inspection Letter

The Audit Commission provides the Annual Audit and Inspection letter as an independent source of information of how the council is performing. Its target audiences are elected Members and residents.

We must consider the letter and respond to it, we must also put the letter on our website.

Our response to this letter.

The audit letter does not provide a set of specific recommendations. This covering report and appendix set out the actions Managers propose to address the issues raised in the letter.

The City Council takes this letter and the criticisms within it very seriously. We are committed to providing excellent services at reasonable cost.

The proposed activities in Appendix 1 represent a substantial task. If Members are satisfied that these areas are the appropriate response they will be worked into a more detailed "SMART" targets. The high level targets will be incorporated into the Council's Corporate (Oxford) Plan, the more detailed SMART targets will be incorporated into the corporate monitoring framework. .

The key messages from the Audit Commission

The Council:

- Is continuing to invest in building a better Council for the long term and has a better focus on agreed priorities
- Continues to have soundly based finances, with unqualified accounts for the year ended 31st March 2005.

- Is improving in a number of areas including Housing and HR and significantly improved staff morale.

However:

- Our overall value for money is poor and our overall rate of improvement slow. We need to demonstrate how we can achieve substantially better services.
- We need to embed risk management and assurance systems.
- Our use of resources CPA score is 1 out of 4 (1 = lowest).

The Audit Commission are in the process of concluding their deliberations on the sale of land at Minchery Farm (Kassam Stadium). The Audit Commission will orally update Members on progress in this area at the Audit & Governance Committee at the end of June.

Actions needed

The Audit Commission set out some high level recommendations for focussing on improvement. These are:

1. Achieving "tangible and measurable progress" against priorities in our improvement plan
2. Strengthening our capacity to change by:
 - Improving and acting on the outcomes of our "challenge" processes.
 - Developing more effective working between Members and Managers,
 - Identifying and implementing options that deliver better services at lower cost.

We also need to:

- Improve our working papers to support our statement of accounts.
- Addressing the reasons for slippage in our capital programme.
- Make improvements in our use of Resources Assessments (CPA)

The challenge for any authority is to prioritise improvement actions. I have suggested key activities in Appendix 1.

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Background papers:

None

Appendices

1. Proposed actions
2. Annual Audit and Inspection Plan

Proposed high-level actions to address issues in Annual Audit and Inspection letter and Challenge report

Proposed Action	Lead (Officer/Member)	Milestones	Dates
<p>Better governance</p> <p>1. Embed the risk management process at business unit level across the authority.</p> <ul style="list-style-type: none"> Ensure each key decision is accompanied with a robust case analysis clearly setting out risks and options. 	<p>SD Finance & Corporate Services. + Leader of Council</p> <p>Each Business Manager & Strategic Director</p>	<ul style="list-style-type: none"> Support commissioned following selection process + SMART plan Sessions with groupings of Business Units Revised risk register with A&G Programme of training for Business Managers Actions built into Business Plan Post Audit review of the area by KPMG 	<ul style="list-style-type: none"> July 2006 September 2006 Either August or Sep (depending on capacity) October 2006 November 2006 draft Jan 2007
<p>Improving Value for Money (VfM)</p> <p>2. Develop a comprehensive VfM report, drawing on cost/performance data, benchmarking, service inspections, process redesigns, best-value reviews & internal VfM audits. To inform the 2007-8 corporate planning and budget process.</p>	<p>Chief Executive + PH for Better Finances.</p>	<ul style="list-style-type: none"> CiPFA benchmarking results out Audit Commission profiles out Report drafted for S&S and EB Further report to O&S/EB on next programme of BV/VfM and other reviews 	<ul style="list-style-type: none"> June/July 2006 June/July 2006 September 2006 November 2006
<p>3. Ensure the 2007-8 budget and business plans take explicit regard of VfM in a) investment and b) where better outcomes can be achieved for the same spend, and c) previous input from scrutiny/challenge processes.</p>	<p>Chief Executive + Leader of Council</p>	<ul style="list-style-type: none"> Identify areas for investment (spend to save) and doing things differently A timely process for ensuring budgets are deliverable 	<ul style="list-style-type: none"> September 2006 September -November 2006
<p>4. Complete, and then implement, the outcomes of; BV review of Leisure, Audit Commission review of Housing Landlord Services and KPMG review of Council Tax.</p>	<p>SD Physical Environment + PH for Leisure</p> <p>SD and PH for Housing.</p> <p>SD Finance & Corporate services + PH for Finance.</p>	<ul style="list-style-type: none"> Individual timetables for reviews will vary. 	

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Proposed Action	Lead (Officer/Member)	Milestones	Dates
Better focus 5. Complete a high level review of budget and business planning process, looking at "best in class" with a medium term financial strategy that informs and reflects the Corporate Plan.	SD Finance & Corporate Services. + PH for Better Finances.	A report with clear targeted and practical recommendations. Considered by both O&S and EB	September 2006
6. Ensure Members, Managers and all staff both encourage challenge and respond positively to it. Set out an explicit commitment to act on key findings from such studies.	SDs & Portfolio holders	Draw up a plan of key actions from all audit reports in the next year, to be monitored by directors and portfolio holders to ensure progress.	September 2007