

**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

**Area(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):**

**The Executive Board:**

**Notes the Audit Commission's Annual Audit and Inspection Letter.**

b) Agrees the action plan in Appendix 1.

**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 31<sup>st</sup> 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 31<sup>st</sup> 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**



## Version control

V 1	First draft	June 4 <sup>th</sup> 2006
V2	Minor spelling checks - post Caroline review	June 5 <sup>th</sup> 2006
V4	Comments from Cllr John Goddard, Andy Burns, Jeremy Thomas and Mike Baish	8 <sup>th</sup> June 2006

## Proposed high-level actions to address issues in Annual Audit and Inspection letter (to be incorporated into Oxford Plan)

Proposed Action	Lead (Officer/Member)	When
<p><b>Better governance</b></p> <p>Embed the risk management process at business unit level across the authority.</p>	SD Finance & Corporate Services. + Leader of Council	Nov 2006.
<p>Improve statement of accounts preparation - in line with Commission recommendations.</p>	SD Finance & Corporate Services. + PH for Better Finances.	June 2006
<p>Joint Member/Manager development programme with shared learning and working</p>	Chief Executive + Leader of the Council	Jan 2007
<p><b>Improving Value for Money (VfM)</b></p> <p>A comprehensive VfM report, drawing on cost/performance data, benchmarking, service inspections, best-value reviews &amp; internal VfM audits. To inform the 2007-8 budget process.</p>	Chief Executive + PH for Better Finances.	Sep 2006
<p>2007-8 budget to take explicit regard of VfM in a) investment and b) where savings might be made.</p>	Chief Executive + Leader of Council	Feb 2007
<p>Complete BV review of leisure.</p>	SD Physical Environment + PH for Leisure	Sep 2006
<p><b>Better focus</b></p> <p>A major review of budget process, looking at “best in class” with a medium term financial strategy that informs and reflects the Corporate Plan.</p>	SD Finance & Corporate Services. + PH for Better Finances.	Sep 2006
<p>Implement outcomes of KPMG due diligence review of Council Tax.</p>	SD Finance & Corporate Services. + PH for Better Finances.	Mar 2007
<p>Accept and ensure actions as a result of Audit Commission challenge reports (Challenge/VfM processes, Housing Landlord Services Inspection and Planning/Area Committee report)</p>	Chief Executive + Leader of Council	Mar 2007
<p>Implement outcomes of Planning/Area Committee services inspection</p>	SD Physical Environment + PH for ....	Mar 2007
<p>Review of capital programme against existing priorities and assessment of reasons for slippage. Review to include assessment of other ways of delivering outcomes.</p>	SD Finance & Corporate Services. + PH for Better Finances.	Sep 2006