

Annual Audit and Inspection Letter

March 2006



# **Annual Audit and Inspection Letter**

**Kennet District Council**

**Audit 2004/2005**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

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# Introduction and key messages

## Introduction

- 1 This final audit and inspection letter summarises our 2004/05 work that has been completed to date including completed inspections and our audit of the Council's accounts and governance arrangements. We provided officers with an interim audit and inspection letter in December 2005. This final letter is essentially that interim letter updated to reflect our recent work on assessing the Council's use of resources arrangements and your direction of travel in relation to your corporate performance assessment.

## Key messages

### Performance and inspection

- 2 The Council provides good customer focused services and makes a special effort to ensure its services are accessible to all sectors of the community but the Council's access strategy needs updating and there is more scope to work with partners to provide a more seamless service across the county.
- 3 Scope to further improve the Council's approach to SMART target setting was identified in the 2004 Comprehensive Performance Assessment (CPA) Inspection, therefore a facilitated workshop was undertaken to enable the Council to learn from good practice principles. These principles have been applied to the Council's Corporate Plan and now need to be applied to all future target setting exercises.
- 4 The Council has a positive approach to partnership working and has a large number of partnerships that contribute significantly to service delivery. However, the Council needs better management information to monitor and review the effectiveness, efficiency and economy of its partnership working.
- 5 We made a number of recommendations to strengthen the Council's arrangements for procurement.
- 6 We have also reviewed the Council's progress against its key improvement priorities. More details of this commentary on direction of travel can be found later in this report.

### Accounts and governance

- 7 Our assessment of the Council's use of resources arrangements concluded that overall the Council was performing well and was consistently above the minimum requirements in most areas. The need to strengthen arrangements at member level has been recognised and is currently being addressed through the Corporate Finance Scrutiny Sub Committee.

### **Action needed by the Council**

- 8 Publish an access strategy to make clear to customers and key stakeholders how the Council will develop its access channels and the improvements in performance it expects to deliver.
- 9 Set clear performance targets to measure the success of the 'Customer First' programme in delivering efficiency gains and improved value for money. Members should monitor and guide the progress of the programme.
- 10 Review again the targets in the Corporate Strategy and apply the good practice principles of SMART targets to all future target setting exercises.
- 11 Develop a framework and mechanisms to ensure that key partnerships are regularly reviewed and their contribution to corporate objectives is monitored.
- 12 The Resources Executive Committee should monitor progress on the outstanding actions from the review of procurement arrangements.
- 13 Develop an action plan to address the improvement areas identified in our recent Use of Resources report.

## Performance

The Council provides good customer focused services and makes a special effort to ensure its services are accessible to all sectors of the community but the Council's access strategy needs updating and there was more scope to work with partners to provide a more seamless service across the county.

Scope to further improve the Council's approach to SMART target setting was identified in the 2004 Comprehensive Performance Assessment (CPA) Inspection, therefore a facilitated workshop was undertaken to enable the Council to learn from good practice principles. These principles have been applied to the Council's Corporate Plan and now need to be applied to all future target setting exercises.

The Council has a positive approach to partnership working and has a large number of partnerships that contribute significantly to service delivery. However, the Council needs better management information to monitor and review the effectiveness, efficiency and economy of its partnership working.

We made a number of recommendations to strengthen the Council's arrangements for procurement.

We have also reviewed the Council's progress against its key improvement priorities. More details of this commentary on direction of travel can be found later in this report.

## Audit commission inspections

### Customer Focus Inspection

- 14 Customer focus is about refocusing services around the needs of all sections of the community. An accessible and user focused organisation places the customer at the heart of the service delivery, it knows what local people want and has organised itself to deliver this. Developing a more user-focused approach is not just a regulatory obligation. It is also part of good management and providing high-quality services.
- 15 Improving customer focus has been highlighted as a priority for improvement by all five councils in Wiltshire. As a result an inspection of customer focus at the council was undertaken in June and reported in October alongside similar reports for the other councils in the County.
- 16 The inspection judged that Kennet District Council provided a "Good" service with promising prospects for improvement. The inspection found that the Council provides good customer focused services that are designed to meet the needs of local people and delivered at the convenience of customers. It is easy to contact the Council and people receive a responsive and helpful service. The Council makes a special effort to ensure its services are accessible to all sectors of the community, and it embraces equalities, diversity and human rights in the delivery of its services. However, the inspection did identify some areas for improvement.

For example, the lack of published service standards means customers are unsure of the service they can expect to receive from the Council. The Council's access strategy is out of date and does not provide a clear plan of how the Council intends to develop its access channels; and the Council has limited understanding of the take-up and relative satisfaction of different groups in the community of the services and facilities it offers.

- 17 In addition, the council and its partners (particularly the other councils in Wiltshire) are not yet maximising the potential for joint working to provide a more customer focussed service that meets the needs and expectations of local people for a more joined up and seamless service across the county.
- 18 Key recommendations to the Council arising from the inspection include:
  - publish an access strategy that makes clear to customers and key stakeholders how it will develop its access channels and the improvements in service performance it expects to deliver
  - ensure customers and the local community are well-informed about the standards and services they can expect from the Council, including:
    - publishing corporate service standards;
    - promoting the availability of information in different formats;
    - implementing a corporate complaints system and learning from this;
  - actively involve local people in developing its plans such as the design of the new reception area, and the times when services or information can be made available to the public;
  - set clear performance targets to measure the success of the 'Customer First' programme in delivering efficiency gains and improved value for money; and
  - develop its programme management expertise and apply this learning to the delivery of its objectives for 'Customer First' and future partnership work.
- 19 Key findings common to all five councils were presented to a meeting of the county-wide Customer First partnership board in September 2005. Each council had strengths in different aspects of customer focus and councils were urged to learn from each other. Common areas of development were also agreed and the partnership plan to take action to improve in these areas.

## Developing SMART targets

- 20 Target setting is an important tool for councils for challenging the organisation to do better. Locally set corporate and service measures are integral to meeting the expectations and levels of improvement demanded by central government and local communities. Kennet's Comprehensive Performance Assessment (CPA) identified SMART (specific, measurable, achievable, realistic and timebound) target setting as an area that needed to be strengthened. The Council is committed to improving its approach in this area and has responded by revising targets in the Corporate Plan.



- 21 We delivered a focused workshop in May 2005 to assist member champions and supporting officers to refresh and strengthen their SMART target setting knowledge and skills. The two main outcomes from the workshop were:
- a commitment from the workshop attendees to apply the SMART approach to future target setting exercises. This was timely and would be used when reviewing the Corporate Strategy; and
  - the establishment of a corporate sounding board that would add objective challenge to the target setting process.
- 22 The workshop also highlighted a number of issues that needed to be considered further to improve the Council's target setting process.

## Managing partnerships

- 23 Partnership working is a key aspect of the change agenda in the public sector and has the potential to improve service quality, cost effectiveness and ensure best use of scarce resources. The CPA report was positive about how the Council works in partnership but found that there was room for improvement in the Council's overall strategic approach and this was included as an action within its improvement plan.
- 24 To build on this we reviewed the Council's corporate arrangements for partnership working using the Audit Commission partnership model. We also collected information from service managers about partnerships that the Council was currently involved in and provided 'good practice' criteria for partnership mapping.
- 25 We found that the Council has a positive approach to partnership working and is involved in a large number of partnerships which contribute significantly to service delivery. However, the Council lacks a framework and standards for partnership working and does not have the management information to monitor and review the effectiveness, efficiency and economy of partnership working.
- 26 Some key partnerships are monitored against action plans. However, the Council's performance management framework does not consistently monitor the contribution of its key partnerships in achieving corporate objectives. The Council also has no current mechanisms to ensure that partnerships are regularly reviewed.
- 27 The key recommendations from the review included the need to:
- develop good practice criteria to enable the Council to identify which partnerships to engage with and how to manage partnerships effectively. This should include:
    - key assessment principles for whether the partnership is required;
    - the need for clear aims and objectives and explicit links to council and individual service objectives;

- the adoption of a performance management framework tailored to the needs of each partnership;
  - a regular review and challenge of partnership working to encourage creativity, new means of working and innovation;
  - guidance as part of the partnerships strategy on the role of the Council's representatives and their delegated authority; and
- expand the partnership data collection into a partnership mapping exercise to ensure that the Council has up to date information about its involvement in partnerships, including information on the resources it invests in its partnership work, both through direct financial contributions and through officer time.
- 28 The Council is currently reviewing its corporate policy on its involvement in partnerships and has drafted a partnership strategy.

## Review of procurement arrangements

- 29 The Council has recognised that effective procurement is a key factor in the development of best value services and has developed a procurement strategy. During the early part of 2005 we carried out an overview of the Council's approach to procurement.
- 30 We assessed the Council's approach to procurement against the Audit Commission's good practice checklist and made a number of recommendations for improvement. Key recommendations included the need to:
- allocate realistic timescales to the actions included in the procurement strategy action plan (completed July 2005);
  - promote the profile of procurement through the relevant senior officer or nominated elected member (completed May 2005);
  - ensure that all contracts are reviewed by legal services to ensure the Council's interests are protected;
  - identify scope for aggregation of contracts both within the Council and with external organisations such as the Wiltshire Customer First Partnership to maximise value for money;
  - review the number of suppliers providing goods and services to the Council with the aim of reducing the number used and negotiating favourable rates for goods purchased from those remaining; and
  - introduce an approved standard form of contract that reflects contract procedure rules, the procurement strategy and financial regulations.
- 31 The Council's procurement team are continuing work to implement the remaining recommendations from the review.

## Performance information

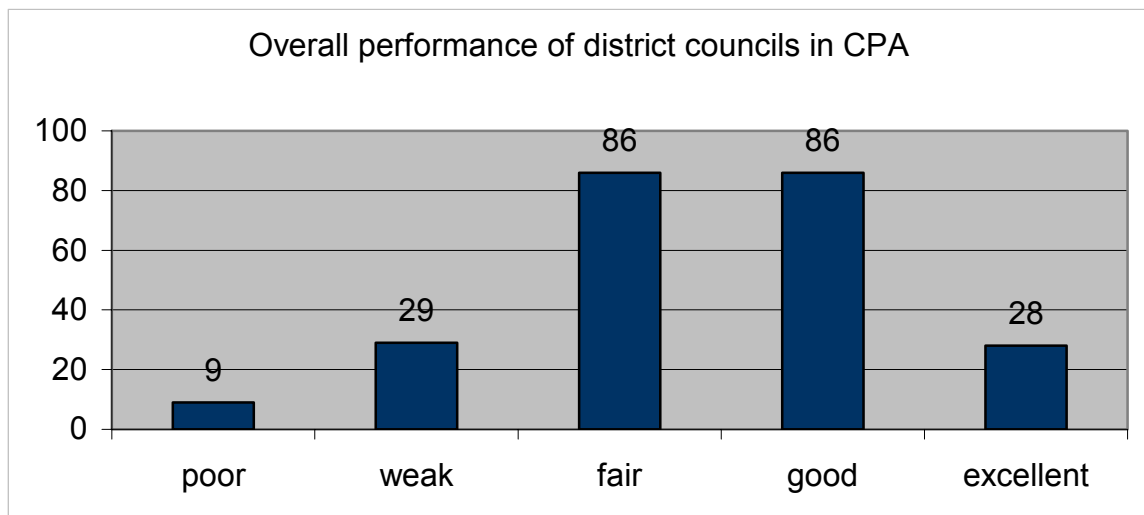
- 32 We reviewed your 2005/06 Best Value Performance Plan (BVPP) to ensure its content complied with statutory requirements. We also reviewed a number of 'high risk' performance indicators specified by the Audit Commission. In addition, we reviewed a small number of other indicators following discussion with officers.
- 33 The audit confirmed that:
- the BVPP was published by the statutory deadline and included all the 2004/05 actual performance information and all the required targets;
  - there were no statutory recommendations requiring a public response; and
  - there were no amendments required to the AC specified performance indicators.
- 34 We placed a reservation on one of the AC specified indicators, relating to private sector homes vacant for more than 6 months. This was a new indicator and not one required to be published in the BVPP this year. The findings from our review have been discussed and agreed with officers.

## Direction of travel report

- 35 Kennet DC was assessed as Good in the Comprehensive Performance Assessment carried out in 2004. These assessments have now been completed in all district councils with the following results.

### Figure 1 Overall performance of district councils in CPA

Three times as many district councils are rated Good or Excellent than Poor or Weak



Source: Audit Commission

- 36 Since the assessment, the Council has identified four priorities for improvement and we have been working with the Council as it seeks to improve further. These are Community Leadership, Stewardship of the Environment, Developing Strong, Safe and Healthy Communities and Improving Services. Progress made against these priorities is monitored internally on a regular basis and reported to the public annually in the Best Value Performance Plan. The progress made in each of these priorities is outlined below.

### **Community Leadership**

- 37 Community leadership is improving. The CPA identified the need for the Council to establish an overall long term vision for the district. The Council has since developed a new Corporate Plan. This has been informed by the local community plans published for the four areas of the district which also feed into the Community Strategy. The Council has been successful in obtaining external funding for a range of projects across the district that support its community priorities. For example the £1.5 million of affordable housing schemes such as The Links at Pewsey, and various infill sites in rural villages.
- 38 Equality, diversity and human rights are a high priority to the Council in the delivery of services and there are many examples of positive outcomes for local people, such as sports opportunities for young people at risk of exclusion. The Council has attained Level 3 of the national equality standard for local government and there is good physical access to the Council's public buildings. The Council's record on the employment of staff from black and minority ethnic communities is good.
- 39 The Council is committed to keeping residents well informed. The Council has developed a Communications Strategy which is being implemented to improve communications with all stakeholders. The Council's bi-annual newspaper is delivered to every home in the district. A survey of residents showed this to be both popular and informative. In 2003/04 the percentage of residents that believed the Council keeps them well informed was above average. However, the council has no corporate complaints system and, while the number of complaints is not high, satisfaction with the handling of complaints was below average.

### **Stewardship of the Environment**

- 40 Planning performance is good and improving. The percentage of major applications determined within 13 weeks increased from 76 per cent in 2003/04 to 84 per cent in 2004/05. While the time taken to determine minor planning applications remained in the top 25 per cent of councils. Satisfaction with planning services also remains high and performance against the checklist of best practice for planning is among the best nationally.
- 41 Performance of the waste management service is mixed. The cost of waste collection is low and public satisfaction with the service is above average. Volumes of waste collected are reducing and the amount of waste recycled is improving, although from a low base. During the past year more kerbside recycling was extended to the majority of the district (90 per cent), but public satisfaction with recycling was low.

- 42 Environmental health is performing well against the checklist of best practice. It is among the best 25 per cent of councils and its customer focused approach has been recognised with a national Chartermark award. Resident satisfaction with street cleaning remains high despite declining slightly between 2000/01 and 2003/04.

### **Developing Strong, Safe and Healthy Communities**

- 43 Crime rates are low even relative to similar areas and are generally improving. There is a mixed record on crime reduction but this is better than the national average except for theft of motor vehicles and burglary. There is good provision of domestic violence refuge places. The Crime and Disorder Reduction Partnership completed the third crime and disorder audit on target and the strategy has been adopted by the council.
- 44 The Council is being proactive in improving housing provision for people in most need. The number of affordable houses completed per 1000 dwellings is in the best 25 per cent of councils and has been for the last three years. The development of affordable housing remains on track to meet the Council's target of 400 new properties provided by 2008. The council has developed good quality hostels as temporary accommodation and the number of homeless families using them has increased. This was accompanied by a decrease in how long homeless families spent in bed and breakfast accommodation. Housing advice is working well with the number of homelessness cases prevented exceeding the estimated target for 2004/05 fourfold.
- 45 The performance of the benefits service is mixed. The speed with which benefits are processed is increasing but from a low base. But the accuracy of calculating benefit due remains among the lowest 25 per cent of councils and decreased between 2003/04 and 2004/05. There is a good recovery rate for over payments.

### **Improving Services**

- 46 Residents are generally satisfied with the main customer facing services of the Council. Respondents to national and local surveys rate the Council's services highly. This includes satisfaction rates of over 90 per cent for building control, environmental health and leisure centres. Another measure of how highly people value leisure services is that an increasing number of people are using the service. In contrast, satisfaction with some aspects of the housing benefits services has been below average, in part due to the previous slow speed of processing claims. More than half the Council's key performance indicators (KPIs), 55 per cent, have improved since 2002/03. The majority of the Council's KPIs are performing well. 40 per cent are among the best nationally while a further 29 per cent are above average.
- 47 The Council is responsive to customer feedback and adjusts service delivery where necessary. For example, following an analysis of the times that callers reported litter in the town centres, the Council extended the cleaning hours to the evenings. This reduced the number of complaints received and additionally the presence of uniformed council staff in town centres reduced the incidence of anti social behaviour.

- 48 The council has embraced best value reviews as one way of helping to improve performance and value for money. There have been some significant outcomes as a consequence such as more effective business planning and marketing of the leisure centres, leading to increased user satisfaction.
- 49 Web access to services is improving. The annual survey of council web sites carried out by The Society of Information Technology Managers commended the Council's web site for having one of the highest number of online services among district councils. Between 2003/04 and 2004/05 the amount of electronic interactions with the public increased from 59 per cent to 85 per cent.
- 50 Staff and financial capacity is being maintained. Staff sickness absence and early retirements remain below average. The number of women employed in senior positions and the number of people with disabilities that are employed are both above the average for councils. Council tax collection remains high at almost 99 per cent in 2004/05. The number of invoices paid on time is above average and improving.
- 51 The Council has an open and positive approach to partnership working and recognises the potential efficiency gains to be achieved in this way. For example the Council has gained financially from the initial joint procurement of the customer relationship management system with the county council and other district councils. It is also benefiting from shared implementation, training and maintenance costs. This is making customer access to services easier and increasing the efficiency of service delivery.

## Accounts and governance

We have given your accounts an unqualified audit opinion.

Our assessment of the Council's use of resources arrangements concluded that overall the Council was performing well and was consistently above the minimum requirements in most areas. The need to strengthen arrangements at member level has been recognised and is currently being addressed through the Corporate Finance Scrutiny Sub Committee.

### Audit of 2004/05 accounts

- 52 We gave an unqualified opinion on the Council's accounts on the 31 October 2005.

### Report to those with responsibility for governance in the Council

- 53 We are required by professional standards to report to those charged with governance certain matters arising from our work. We would normally seek to do this before we give an opinion on the financial statements, however this year we have combined this responsibility with this interim audit letter. There were no matters arising from this year's audit of the accounts that Members could have acted on prior to our giving the opinion.

### Matters arising from the final accounts audit

- 54 The published accounts are an essential means by which the Council reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. Members approved the Council's annual accounts on 27 July 2005 at Resources Executive Committee. The Council is well placed to meet the Government's earlier reporting deadlines next year when the requirement is to approve the accounts by the end of June 2006.
- 55 An adjustment was needed to the balance sheet to amend the transfer made between set aside capital receipts and usable capital receipts. The amount transferred was overstated by £13 million due to a number of accounting adjustments that were made in previous years. This had the effect of overstating the usable capital receipts within the balance sheet. The change to the accounts was agreed with officers and we issued an unqualified opinion on the accounts on 31 October 2005.



- 56 The change did not affect the Council's financial position in terms of its current and future revenue and capital budget requirements. A report, setting out the reasons for the adjustment, was considered by the Resources Executive Committee on 29 November 2005 and the amended balance sheet was formally adopted.

## Financial standing

- 57 The Council's overall financial position remains sound although it continues to face significant pressures.

### General fund spending and balances

- 58 The Council's net expenditure for 2004/05 was around £7.88 million which was in line with the budget of £7.89 million. The general fund balance remained unchanged and was £0.863 million at 31 March 2005. This was in line with the Director of Resources recommended balance. Total balances and reserves at 31 March 2005 were £4.3 million.
- 59 For the current year 2005/06, the Council has set its budget at £8.2 million, which included the planned use of some £227,000 of balances. Currently projected expenditure for 2005/06 is in line with the budget.
- 60 The Council is facing another difficult year and operates in an environment where aggregate resources are constrained by a number of factors outside the Council's control, for example the level of government grant support, national pay increases and falling yields from investments. The Council's financial strategy 2005/06 to 2008/09 recognises the financial issues facing the Council and sets out its strategies for dealing with these issues. The Council's Budget Reduction Sub Committee is currently working to achieve the necessary savings to enable a balanced budget to be set in line with the financial strategy. The Council has also adopted a strategy for achieving the 2.5 per cent annual efficiency gains required by the Government, which requires the Council to make efficiency savings of £870,000 over the next three years.

### Pensions fund deficit

- 61 The Council's pension liability has increased from £5.6 million at 31 March 2004 to £12.5 million at 31 March 2005. This increase is a result of the change in estimating the future liabilities of the pension fund, as required by the guidance contained in the statement of recommended practice. The rate of employer's contribution to the fund is being increased, following the Actuarial valuation carried out at 31 March 2004, to reduce the liability over a number of years. This will place increased pressure on revenue budgets which will add £0.140 million to the 2006/07 budget.

### Income collection and arrears

- 62 Council tax (98.9 per cent) and non-domestic rates (99.1 per cent) collection levels remain high and are in the top quartile of all district councils.



## Systems of internal financial control

- 63 Based on our work to date, we have not identified any significant weaknesses in the overall control framework. In considering the Council's systems of internal financial control we work closely with internal audit. We review internal audit every year and found that we could rely on their work and that they considered relevant controls within key financial systems.

## Standards of financial conduct and the prevention and detection of fraud and corruption

Based on our work to date, we have not identified any significant weaknesses in your arrangements to prevent and detect fraud and corruption.

### Your business at risk

- 64 In common with other organisations councils hold increasing amounts of electronic information which is relied on to provide effective services. This also brings an increased risk of fraud and abuse, for example:
- business disruption through acts of cyber-vandalism eg virus infection;
  - financial loss resulting from failures in security controls;
  - reputational damage by misuse of council systems;
  - awareness of the implications of relevant legislation: and
  - loss of public or user confidence in new technology.
- 65 We have completed a survey to help the Council assess the level of knowledge within the organisation about the arrangements in place to minimise these risks. Over four hundred users were invited to take part and one hundred and twenty completed the on-line survey within the specified dates.
- 66 The Council's staff and members who responded to this survey demonstrated a very good awareness of information security issues. The positive responses to each of the five key business risks shows a high level of general awareness and that the Council has systems in place to manage these risks. The survey highlighted some issues where the Council may need to take further action to improve awareness, and adherence to, existing arrangements. A detailed report on the survey findings and the key issues arising is currently being discussed with officers.

## Legality of transactions

- 67 Based on our work to date the Council's framework for ensuring the legality of its significant financial transactions is generally sound. However, our review of your procurement arrangements highlighted the need to ensure that all contracts are reviewed by legal services prior to advertising for tender, to ensure that the Council's interests are protected.

## Use of resources judgements

- 68 The use of resources assessment is a new assessment which focuses on financial management but links to the strategic management of the authority. It looks at how the financial management is integrated with strategy and corporate management, supports Council priorities and delivers value for money. It will be carried out annually, as part of each council's external audit.
- 69 We have assessed the Council's arrangements in five areas.

**Table 1 Council's arrangements**

Overall Kennet has good arrangements in place

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	2 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
<b>Overall</b>	<b>3 out of 4</b>

*(Note: 1=lowest, 4=highest)*

- 70 In reaching these judgements we have drawn on the accounts and governance work that has already been completed and supplemented this with a review against specified Key Lines of Enquiry, which set out a wide range of criteria.
- 71 Overall we concluded that the Council was performing well and was consistently above the minimum requirements in most areas. An action plan is currently being developed to consider further the improvement areas identified in our recent Use of Resources report. The need to strengthen arrangements at member level has been recognised and is currently being addressed through the Corporate Finance Scrutiny Sub Committee.

## Other work

### Grant claims

- 72** In accordance with Strategic Regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims. The main focus of our work on grant claims at Kennet is the work we do to certify the housing benefit grant claim. We are currently working on this claim and are following recent guidance issued by the Audit Commission aimed at reducing our input. Our ability to reduce our work depends on the adequacy of the Council's control environment, which we are currently assessing.

### National Fraud Initiative

- 73** In 2004/05 the local authority took part in the Audit Commission's National Fraud Initiative (NFI). The initiative, which is undertaken every two years, aims to help identify and reduce fraud by bringing together data from local authorities, NHS bodies, government departments and other agencies, to detect a wide range of frauds against the public sector. These include frauds involving housing benefits, pensions, tenancy, payroll fraud and right to buy scheme. Additional pilot work is being undertaken to further extend the scope of the initiative.
- 74** The Council provided the required data to the Audit Commission but on this occasion few significant matches were identified. The exercise does provide the Council with a degree of assurance about its arrangements for the prevention and detection of fraud and corruption. The required return to the Commission to record the results of the exercise is now being compiled.

## Looking forwards

### Future audit and inspection work

- 75 We have an agreed plan for 2005/06 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2005/06 accounts, will be reported in next year's Annual Letter.
- 76 We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the Council. We will continue with this approach when planning our programme of work for 2006/07. We will seek to reconsider, with you, your improvement priorities and develop an agreed programme by 31 March 2006. We will continue to work with other inspectorates and regulators to develop a co-ordinated approach to regulation.

### Revision to the Code of Audit Practice

- 77 The statutory requirements governing our audit work, are contained in:
- the Audit Commission Act 1998; and
  - the Code of Audit Practice (the Code).
- 78 The Code has been revised with effect from 1 April 2005. Further details are included in our Audit Plan which has been agreed with officers in May 2005. The key changes include:
- the requirement to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources; and
  - a clearer focus on overall financial and performance management arrangements.

### A new CPA framework

- 79 The Audit Commission is currently considering the results of the consultation on the proposals for revising the CPA framework for District Council's. The revised framework will be published in the early part of 2006 with implementation from April 2006.

## Closing remarks

- 80 This letter has been discussed and agreed with Management Team. A copy of the letter will be presented to Group Leaders on 18 April 2006.
- 81 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

## Availability of this letter

- 82 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the council's website.

Brian Bethell  
District Auditor

Melanie Watson  
Relationship Manager

March 2006

## Appendix 1 – Background to this letter

### The purpose of this letter

- 1 This is our Audit and Inspection 'Annual Letter' for members which incorporates the Annual Audit Letter for 2004/05, which is presented by the Council's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Council.
- 2 We have issued separate reports during the year setting out the findings and conclusions from the specific elements of our programme. These reports are listed at Appendix 2 for information.
- 3 The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.
- 4 Appendix 3 provides information about the fee charged for our audit and inspections.

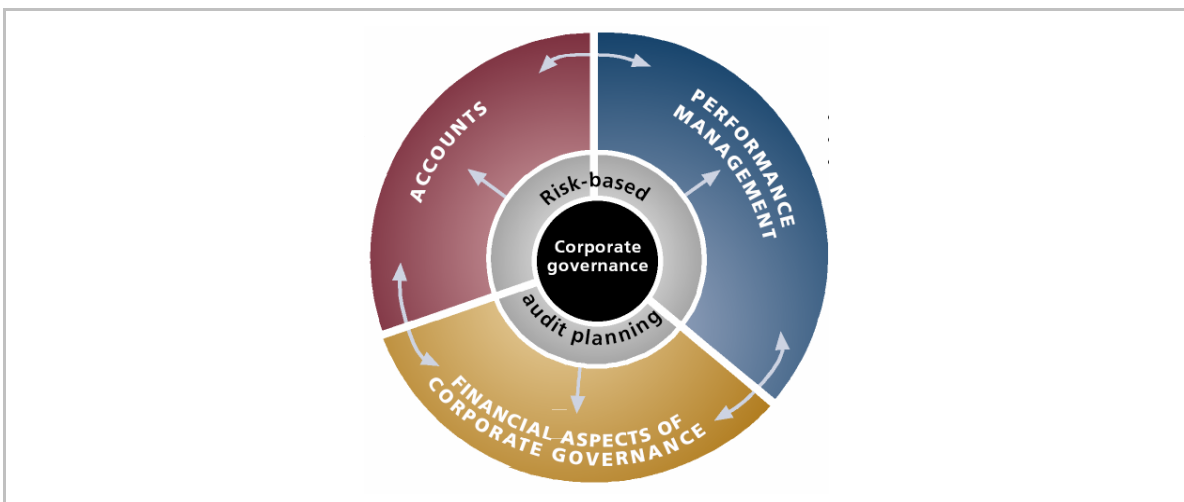
### Audit objectives

- 5 Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.
- 6 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Figure 1.

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#### Figure 2 Code of Audit Practice

Code of practice responsibilities



- 7 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as shown below.

### **Accounts**

- Opinion.

### **Financial aspects of corporate governance**

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct and the prevention and detection of fraud and corruption.
- Legality of transactions.

### **Performance management**

- Use of resources.
- Performance information.
- Best value performance plan.

## Appendix 2 – Audit reports issued

**Table 2**

<b>Report title</b>	<b>Date issued</b>
Audit Plan 2005/06	May 2005
Developing SMART Targets	May 2005
Managing Partnerships	August 2005
Review of Procurement Arrangements	August 2005
Customer Focus	October 2005
BVPP statutory report	October 2005
Regularity report	November 2005
BVPI summary report	December 2005
Your business @ risk	December 2005
Interim Annual Audit and Inspection Letter	December 2005
Use of Resources Report	March 2006
Annual Audit and Inspection Letter	March 2006



## Appendix 3 – Audit fee

**Table 3     Audit fee update**

<b>Audit area</b>	<b>Plan 2004/05</b>	<b>Actual 2004/05</b>
Accounts	19,580	19,580
Financial aspects of corporate governance	9,897	9,897
Performance		
• Improvement	12,396	12,396
• Assessment	9,157	9,157
• Use of resources	13,171	13,171
<b>Total Code of Audit Practice fee</b>	<b>64,201</b>	<b>64,201</b>
Additional voluntary work (under section 35)	Nil	Nil
<b>Total</b>	<b>64,201</b>	<b>64,201</b>

### Inspection fee update

The full year inspection fee is £9,157. The work reported in this Audit and Inspection Letter has been funded by an element of the fee covering 2004/05 and by an element of the fee covering 2005/06. In both years the actual fee will be in line with that planned.