

Annual Audit Letter
**Wiltshire County
Council**

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DISTRICT AUDIT

Wiltshire
COUNTY COUNCIL

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KEY MESSAGES

Overall conclusion

The Council is increasingly developing its corporate focus to build on its long established service based approach. There is a tangible commitment to improving services and while much remains to be done, the direction is positive.

Comprehensive Performance Assessment (CPA)

Wiltshire is identified in the CPA as a 'fair' authority. We understand there are prospects for a 'good' classification at the next assessment. The Council is already well advanced in its work on improvement planning as a response to the CPA assessment, and arrangements are in place for the actions identified to be implemented and their effect monitored.

Best Value and performance indicators

An unqualified opinion was given on the Council's Best Value Performance Plan (BVPP). However, a statutory recommendation has been included in our Statutory Best Value Report issued on 31 December 2002 because more than 10 per cent of performance indicators in the BVPP needed subsequent amendment. Production of accurate figures is critical if the Council is to successfully monitor its performance. The Council is preparing to issue its response to the statutory recommendation within the required 30 days from the date of issue of the Statutory Best Value Report.

Partnership working with health

We have been working with the Council to help ensure that the decision making process for a possible move to care trusts is robust. The Council is aware that effective partnerships with health bodies need to have been achieved and sustained before developing care trusts. The PCTs in Wiltshire are newly created and subject to the obvious internal challenges of getting established and operating effectively.

More particularly, a good deal of the basic essential information for the decision making process is not yet available, though we

understand that this would be developed to be available in time for the relevant decision making dates. Similarly, it is unclear at this stage what additional benefits would accrue to the Council and the public from care trusts.

Risk management

Last year we concluded that a corporate process for identifying and managing strategic risks should be developed. We are aware that since then, a strategic risk register has been established during the last year and that arrangements are in hand to develop a risk management strategy.

Accounts

The audit of the statement of accounts for 2001/2002 has been completed and an unqualified opinion was issued on 9 December 2002.

New arrangements for earlier closedown and audit of local authority accounts are anticipated in the near future as part of a government initiative to make it possible in future to consolidate financial accounts for the whole of government. A radical review of accounting and closedown processes is being considered by the Council to help it achieve the expected new deadlines.

Ethical culture and the prevention and detection of fraud and corruption

Our audit work last year included a broad based review of the ethical culture and framework in the Council. This comprised a review of the documentary framework, a questionnaire to staff and Members and detailed testing of selected contract transactions and monitoring. Overall, the work indicated a robust ethical culture. The Council plans to further strengthen its arrangements once the expected code of conduct for officers is issued by the Office of the Deputy Prime Minister. Our work on the Council's ethical culture will continue through the next year in discussion with officers of the Council and with the standards committee.

The purpose of this Letter

This Annual Audit Letter summarises for Members the more important matters arising from our audit for 2001/2002 and comments on current issues. We produce separate reports during the year on completion of specific aspects of our work for detailed discussion with officers.

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.

Our audit reflects the requirements of the revised Code of Audit Practice issued by the Audit Commission for the 2000/2001 and subsequent audits. Our audit is based on assessments of risk made in conjunction with the Council and focuses on areas of higher risk. This Letter should be read in that light. It provides Members with a summary of the results of the audit and highlights areas for action. The letter should be read in conjunction with the Audit Commission corporate assessment report and the various reports of other external scrutiny bodies.

In December 2001 the Government published a White Paper that announced the introduction of CPA across local authorities. The Audit Commission was given responsibility for developing the methodology. The first stage of CPA has resulted in all metropolitan councils, counties and unitary authorities being ranked (depending on measures of performance and ability to improve) into one of five categories (excellent, good, fair, weak and poor). The results were published on 12 December 2002 and the Council's overall classification is recorded in this Letter.

This Annual Audit Letter summarises the results of the 2001/2002 audit. It takes into account the outcome of the CPA process, but retains as its main focus our statutory responsibilities as external auditor to the Council.

Background to the audit

This has been another demanding year for the Council. A number of challenges have been faced and will continue into the future. These include:

- reorganising the structure of the Authority to provide a new Department of Adult Care Services and a new Children, Education and Libraries Department
- responding to the Audit Commission CPA introduced this year for the first time for county councils and single tier authorities
- developing the ethical culture of the organisation in response to both external and internal challenges
- progressing the first year of the Council's Public Sector Agreement to improve performance in selected activity areas
- working effectively with the new Wiltshire Strategic Board in partnership with other bodies in the county to pursue progress in areas of mutual interest.

Audit objectives

Our Code of Practice requires us to design a programme of work to address the significant operational and financial risks you face that impact on our responsibilities. Our work focuses on whether you have adequate arrangements for the following.

Accounts

- Producing accounts which present fairly the Council's financial position.

Financial aspects of corporate governance

- Ensuring the legality of transactions.
- Ensuring your financial standing is soundly based.
- Ensuring that your systems of internal financial control are both adequate and effective.
- Ensuring proper standards of financial conduct, and the prevention and detection of fraud and corruption.

Performance management

- Securing economy, efficiency and effectiveness in the use of your resources.
- Achieving Best Value goals.
- Producing performance information.

Our audit role is shown as Exhibit 1 below.

EXHIBIT 1 THE AUDIT COMMISSION'S CODE OF PRACTICE



Our audit has addressed the requirements of the Code of Audit Practice. We have assessed relative risk levels for various aspects of the Council's work and have undertaken more detailed work in the selected areas of higher audit risk. We liaise with Best Value and other government inspectors to minimise duplication across our respective roles and responsibilities.

Accounts

Our audit of the statement of accounts for the year has been concluded and an unqualified opinion on the statement of accounts for 2001/2002 issued on 9 December 2002. Members approved the statement of accounts in September 2002.

There are a number of changes in place or planned for early implementation which will impact on the statement of accounts and our audit of the statement. There is now a requirement for the Council to make disclosure of its future pension liabilities compared with its available assets, together with any surplus or

deficit. For next year's statement, comparative figures will need to be disclosed. As things stand, in the following year, 2003/2004, pensions liabilities will need to be brought into the financial statements of the Council. This will result in a less positive overall picture of the financial position of the Council, with liabilities in excess of assets.

In addition, proposals for revised Accounts and Audit Regulations are expected to require that the Council's accounts be closed and reported to Members one month earlier in each of the next three years, leading by 2006 to closedown by 30 June each year. This change is part of a government initiative to provide whole of government accounting. Substantial changes will be required in the final accounts closedown process to achieve the new target dates if as we anticipate, the proposals are agreed. Similarly, there will be a requirement for earlier completion of the audit in normal circumstances. Overall, early availability of the statement of accounts will enhance its value provided consistency and accuracy can be assured. We are in discussion with County Treasurer's staff on the various aspects and implications of this potential development.

We understand that the statement of accounts will, once the revised regulations are adopted, need to be signed by the Chairman of the Council, representing those charged with the governance of the Authority, in addition to the signature of the County Treasurer. Any amendments to the statement of accounts at audit will have to be reported to Members.

Financial aspects of corporate governance

Legality of financial transactions

Last year, the role of the monitoring officer was re-defined and strengthened in the new constitution. Since then, the Council has reviewed the effectiveness and resourcing of the monitoring officer role and related procedures. Additional resources have been assigned to these roles. At present, the Solicitor to the Council is on secondment to another council. We are satisfied that the arrangements made to cover his absence are sufficient to resource the monitoring officer

role and ensure the integrity of the Council's legal services.

During the year a small number of issues have been raised with us by local government electors. There are no matters arising that we wish to bring to the attention of Members at this stage. In view of the Council's new complaints system and procedures, we will in most instances seek to ensure that any issues raised by local government electors at audit have previously been addressed through the complaints system in a formal way. We have agreed with the solicitor to the Council that an audit review of the complaints system and related procedures will be helpful in the near future.

The Council is currently undertaking a review of the new constitution and we await the results with interest. We have maintained close liaison with the Director of Corporate Services and legal staff through the year. There are no instances of potential illegality to report.

Financial standing

The Council's financial outturn for the financial year 2001/2002 showed an unexpected underspend of £1.971 million. A number of relatively minor variations made up this overall net underspend. These included an underspend on residential and nursing placements and domiciliary care placements, due to the complexity of the service provision and inadequate financial control systems. Delays in recruiting and commissioning various works also contributed to the overall result. The 2001/2002 outturn contrasts well with recent years' experience of overspending against budget. Work is in hand on the Council's budget monitoring processes to help ensure that outturn remains close to budget in future years. Current predictions indicate that for the current year, outturn will be in line with the budget.

At the year-end, the Council's balances amounted to £5.3 million compared with £1.3 million the previous year. The balances have been replenished by rollovers from departmental budgets from previous year overspends and by the under-spend for 2001/2002.

For 2002/2003, the Council approved a budget providing for spending of £317.5 million (net), an increase of £10.1 million on the budget for the

preceding year. This represented an increase of 3 per cent for the year.

Pension fund

Investment strategy

The Council's Pensions Committee has undertaken a great deal of work with the help of specialist consultants and on the advice of the County Treasurer to modernise and strengthen the investments strategy of the pension fund. New arrangements for fund managers have been established, including changes in the numbers of managers, their roles and the amounts and make up of funds allocated to them. New and more effective arrangements have been established for target setting for fund managers and for monitoring their performance. Credit is in our view due to the committee and to the County Treasurer for the forward looking approach taken.

Financial health of the Council's part of the fund

The Council could usefully consider more closely the impact of the pension fund financial health on its budgets and therefore service provision. In 1989, the value of the Council's part of the fund was sufficient to cover 100 per cent of predicted pensions liabilities. By 31 March 2002, the value was down to 80 per cent of liabilities. This is the third lowest funding level of all county council operated pension funds. There are a number of factors that have affected this, amongst which probably the most significant is the employer contributions holiday taken by the Council, along with other councils in Wiltshire and beyond, in the early 1990s. The aim was to take advantage of a reduction in the statutory minimum funding level to 75 per cent. When the funding level requirement was restored to 100 per cent of liabilities in 1993, the Council's actuaries required stepped increases over a number of years in the Council's employer contributions.

There is no risk to pension entitlement for members of the pension scheme now or in the future. However, as things stand, the Council pays employer contributions of 345 per cent of the employee contribution rate. This equates to about 20 per cent of total pensionable pay - about £12 million per year. This rate of

contribution is the highest of any county council at this time and reflects the Council's commitment to 'pay back' contributions not made in the 1990s, and to restore the funding level of the fund. It could take about 14 years to reach 100 per cent funding – about the average remaining working life of fund members – though this time scale will be subject to change at future three-yearly actuarial reviews of the fund and the actual time involved will be affected by a number of factors including stock market performance.

Strategy for the financial health of the Council's part of the pension fund

The Council should ensure that it is fully aware of the options and risks involved and commit to an overall medium term financial strategy for the financial health of its own part of the pension fund. The Council has already made small capital payments to the fund for each of the last two years. These amount in total to over £3 million. The Council could consider whether there are other steps which could be taken to enhance funding levels. For instance, whether further capital contributions could be paid to the fund to bring forward the date on which liabilities will be matched by assets and to reduce the effect on service department revenue budgets of the current levels of employer contributions.

We will continue our work on the audit of the financial health of the pension fund over the next year in discussion with the County Treasurer.

Relevance of our work for other scheduled and admitted bodies to the fund

Our draft report to the County Treasurer suggests that there are similar issues for other scheduled and admitted bodies to the fund.

Systems of internal financial control

We rely as far as possible on Internal Audit. Following our review of its operation against its own standards and those set down by professional bodies, we are satisfied with the quality and coverage of their work. The Standards Committee oversees audit for the Council, including both Internal Audit and external audit. The committee endorses the plans for Internal Audit, oversees the performance of

the work, and monitors the implementation of audit recommendations. A recent Internal Audit annual report to the committee includes helpful additional information about the performance of the Internal Audit section.

Constitution of the Council

A new constitution for the Council was implemented with effect from 1 December 2001. The constitution includes revised protocols for the operation of the Council's business. A review of the operation of the constitution for the last year has been undertaken. We will track the outcomes of the review and the implementation of any recommendations made.

Strategic risk management

We advised last year that the Council did not have a corporate approach to strategic risk management, and that as a result, risk management tended to follow a traditional insurance and health and safety based approach, rather than addressing the more strategic risks associated with business planning.

We are aware that a risk register has been produced during the last year, and plan to review the register in the very near future. In addition, we understand that arrangements are in hand to develop a risk management strategy and to implement the remaining recommendations from last year's Annual Audit Letter.

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

We have undertaken a broad based review of the ethical culture and framework at Wiltshire County Council. This included an overview of the documentary framework, policies and procedures adopted by the Council. We followed up this overview with detailed testing in selected areas, working in conjunction with Internal Audit to maximise the use of our resources. To complete our work we sent out a questionnaire to assess attitudes of Members and officers to ethical issues. We received 100 replies, representing a high response rate of over 50 per cent.

The survey questionnaire was drawn broadly to identify anti-fraud and corruption issues and wider ethical issues. Overall the completed returns indicated a robust ethical culture. A minority of respondents, approximately a fifth, indicated they felt there had been recent non-compliance with the code of conduct for staff and the IT security protocols. Members should consider what response they would want to make to the questionnaire results.

Our detailed testing covered work in highways, social services and payroll and personnel procedures. Our work continues and we will report to members at an appropriate point.

Internal Audit

Internal Audit does not have a specific programme of testing to ensure that anti-fraud and corruption controls are in place. Reviews cover testing of system controls and anti-fraud and corruption controls at the same time. The intention is to develop a specific programme of anti-fraud and corruption work for the current financial year, 2002/2003.

The Internal Audit manual sets out their procedures for investigating irregularities, including preliminary action, evidence gathering and reporting. The current Internal Audit Manual has not been formally approved by the Authority and we recommend that this be progressed at an early date.

Internal Audit uses computer interrogations to assist their investigative work, for example on the pension fund. But the use of IT to support audit testing is not extensive and we are in discussion with officers to explore how greater use of technology might be achieved.

We note Internal Audit is involved with the national fraud initiative data matching exercise, the Chief Internal Auditor being the nominated contact at the Council. We believe this to be an important aspect of the Council's probity and ethical culture arrangements. Results of the 2002 initiative will be available soon.

The Council has a policy statement on the proper conduct of the County Council and its services. When taken with various provisions in financial regulations this amounts to an anti-fraud and corruption policy. Officers are currently reviewing policies with a view to consolidating provisions

into one document. An anti-fraud and corruption strategy for the pension fund is already in place.

Information and communications technology (ITC)

Delivering effective ICT services

After a challenging and difficult year in 2001 in maintaining robust and effective ICT services, including security, staffing and contract management matters, the Council has moved forward in 2002 on a number of important IT fronts, including e-government, IT security and IT management.

E-government

A number of advances have been made during the year towards implementing e-government, not least in establishing a corporate vision and programme. Attention has been given to staffing skills and capacity and new staff have been appointed, including a customer services manager and an e-government programme manager. A leading Member, the Chief Executive and the e-government programme manager have been identified as e-government champions.

IT security

The results of our review of IT security last year were set out briefly in last year's Annual Audit Letter. The report has now been agreed with the Council and an Action Plan is in place. We will monitor implementation of our recommendations.

Following exposure to the NIMDA virus, a number of enhancements to the network and desktop PCs were introduced by the Council during the last year. These included updated software on PCs, upgraded anti-virus software on all desktops, plus anti-virus software to cover e-mail and web pages use.

Once this and other related work reaches a suitable point, we plan to undertake work additional to our planned Code of Audit Practice work, to use sophisticated audit software to scan the Council's networks and computers. This will identify any remaining vulnerabilities and test for weaknesses that could be used to gain unauthorised access to systems or to deny the service to legitimate users. This should provide a good level of assurance to the Council. We plan

to share with Members the results of this work during the year and seek their views.

IT management

An internal review of IT management processes has recently been undertaken by the Council and subject to our usual risk assessments, we plan complementary audit work in the near future.

Performance management

Comprehensive Performance Assessment

The CPA process has resulted in Wiltshire County Council being categorised as a 'fair' authority now, with prospects of improvement to 'good' at the next assessment. Wiltshire are already well advanced in their work on improvement planning as a response to the CPA score.

In December 2001, the Government published a White Paper which announced the introduction of CPA across local authorities. The Audit Commission undertook performance assessments of metropolitan councils, counties and unitary authorities during 2002. The CPA process results in a score of performance across service areas together with a score for ability to improve. The combination of the two marks results in authorities being placed in one of five categories (excellent, good, fair, weak and poor).

The judgements in service areas are a combination of assessments from external agencies eg Ofsted, SSI, BFI, government offices, results from Best Value inspections, auditor assessments and performance indicators. The judgement on proven ability to improve has been assessed by an independent review team against criteria for the following nine themes:

- ambition
- focus
- prioritisation
- capacity
- performance management
- achievement
- investment

- learning
- future plans.

Following the CPA process, the Council is now working on improvement planning, targeted on priorities. Authorities' rankings will influence both the amount of regulation work that is undertaken in future years and the range of freedoms and flexibilities that will be granted from central government. In addition it is envisaged that priorities identified as part of the improvement planning will feed into each Council's Best Value Performance Plan for 2003/2004. A meeting will be held in the January 2003 between regulators and the Council to further consider priorities.

Best Value and performance indicators

An unqualified opinion was given on the Council's Best Value improvement plan but a statutory recommendation has been included because more than 10 per cent of the estimates included in the BVPP were subject to amendment before final submission to the Commission. Production of accurate figures is critical if the Council is to successfully monitor its performance.

In summary:

- we found that the plan complied with legislative requirements and an unqualified opinion has been given.
- over 10 per cent of the estimates in the BVPP were significantly different from the reported outturns. We have therefore included a statutory recommendation in our Statutory Best Value Report issued to the Council on 31 December 2002, to improve the accuracy of performance information
- we are not recommending that Wiltshire County Council be referred to the Secretary of State for intervention.

The statutory recommendation was as follows:

Recommendation

On the basis of my audit work, I consider that the matter set out below should be brought to your attention:

- over 10 per cent of the Best Value Performance Indicators in the plan were inaccurate by a significant amount. The County Council should review each of these indicators and identify what systems improvements can be made to ensure that qualification will not be necessary in future years.

We would draw the attention of Members to the fact that the Council must respond formally to the statutory recommendation within 30 days from 31 December 2002, the date of our Statutory Best Value Report.

The management of change

In last year's Audit Letter we set out the results of our change management review. A separate audit exercise this year, reported to the then Wiltshire Strategic Board, has considered partnership arrangements in Wiltshire. It concluded that an improved partnership culture was developing, that electronic communications were helping and that partnerships were successfully attracting additional funding. On the other hand, the review also suggested that partnerships tended to be 'ad hoc' and reactive, that reviews of success and progress were limited, and that, in some cases, there seemed little justification for particular partnerships to continue.

The new Wiltshire Strategic Board (WISB) has been created, replacing its predecessor group, as an assembly of political leaders and 'chairs' within Wiltshire. The Wiltshire Strategic Board Executive (WISBEx), mainly drawn from chief executives of Wiltshire authorities, has emerged to service WISB. These are helpful forums for moving forward matters that concern more than one organisation in Wiltshire and in keeping a general overview of partnerships and their achievements. There may still be scope for further consideration and rationalisation of the

number of active partnerships in Wiltshire and the County Council's participation in them.

Community planning

Community planning has been a strong feature within the County Council. Progress in community planning was considered by Cabinet in March 2002, including a draft community planning evaluation model which identified a need for councillors to play active parts in community leadership. The Council has since identified a cabinet member and a director to lead community planning, and relevant training for Members is planned.

The Council intends to develop community plans and community partnerships in each of Wiltshire's 20 community areas, moving at the pace of the community. The evaluation model will now be used to measure and evaluate the impact of community planning so far and consider what success might look like in a community area. The review will consider what lessons can be learned and what good practice can be transferred between communities.

We will continue to liaise with officers on the use and development of the model and await the outcomes planned for March 2003 with interest.

Partnership working with Health

Care trust partnerships

From April 2002, joint operational management teams operate between the County Council's Department of Adult Care and the West Wiltshire, South Wiltshire and Kennet and North Wiltshire Primary Care Trusts (PCTs). This development was part of a possible move towards care trusts, potentially at that time with effect from April 2003. This did not in practice materialise but we understand that a move to care trusts from April 2004 is now under consideration.

We have been working with the Council to help ensure that the decision making process for a possible move to care trusts is robust. The Council is aware that effective partnerships with health bodies need to have been achieved and sustained before developing care trusts. The PCTs in Wiltshire are newly created and subject

to the obvious internal challenges of getting established and operating effectively.

The Council has not yet been able to quantify its aims and aspirations from care trust operations but aims to do so in line with the timetable for making critical decisions. The Council should ensure that quantified expectations are evidenced for service delivery, finances, staffing, and support services and that they are fully taken into account in the decision making process. Without such advance detailed evidence, it will be unclear whether care trusts could succeed. The timing of the provision of these quantifications should be carefully matched to the timetable for decision making to ensure Members have all the facts they need at the right time.

The Council should be clear what additional benefits would accrue from care trusts compared with further developments in working together under the present arrangements.

Implementing audit recommendations

The Council's record in implementing audit recommendations is generally satisfactory. The Chief Executive now oversees the implementation of our performance audit and Annual Audit Letter recommendations and has provided us with a summary of the Council's response and progress against the various matters raised in our last year's Annual Audit Letter. Likewise, the County Treasurer and County Solicitor have provided a summary of progress against the various probity matters raised. We will continue to monitor progress in discussion with officers.

Overall, the Council seeks corporate ownership of the implementation of audit recommendations from both internal and external audit, with chief officers and the Cabinet providing the front line responsibility. The Standards Committee is now becoming more established in its role and activity, and will no doubt over time become an increasingly important part of the process for assuring comprehensive and prompt implementation of audit recommendations. The Standards Committee is supported by the Monitoring Officer and the County Treasurer.

Asset management follow up review

As part of the 1999/2000 audit we carried out an assessment of the Council's arrangements for managing its assets. Key issues arising from this audit were reflected in an Action Plan which offered a range of recommendations to assist in strengthening and developing existing arrangements.

Over the last two years, substantial progress has been achieved in implementing the actions recommended. In particular significant progress has been made in developing a comprehensive performance management system for measuring and monitoring asset management activities. We will continue to monitor progress.

School attendance and exclusions

Against a background of changes to the way the services for children are organised and delivered, Wiltshire has made good progress in implementing the recommendations of our 1999/2000 review. Our follow up review in December 2002 found that:

- the Education Welfare Service has developed an approach to intervention targeted at schools with the greatest need
- a multi-module pupil database has been developed which can monitor intervention across a range of Council services
- a strategy is in place for the implementation of appropriate full-time education for permanently excluded pupils.

The Council is aware of the inability of the Local Education Authority to provide full-time education to all excluded pupils and aims to resolve this issue during 2003.

Planning school places follow up

In our review of planning school places in 1998/1999, we found that spare capacity in Wiltshire schools is unexceptional, with overall surplus places in line with recommended practice with the exception of the number of primary schools with more than 25 per cent surplus. Since then, the Council has proposed the introduction of a two tier school system throughout Wiltshire which, if agreed, will directly affect 24 schools. The School Organisation Committee will meet in January 2003 to decide

on this proposal. We will continue to liaise with officers on developments.

Special educational needs (SEN)

In its inspection report published in January 2002, Ofsted commented that Wiltshire's strategy for SEN is unsatisfactory and that its draft SEN policy was not a practical document for setting long term goals and actions. The Council is now further developing its strategy. Our review of the strategy has two main objectives:

- to take an overview of the work on the Council's SEN inclusion strategy
- to identify key risk areas within SEN from available comparative databases and to consider their relevance in the development of the Council's strategy.

Our fieldwork is being carried out in two stages. The first stage includes a review of key documents, interviews with senior officers and members and data analysis. We have provided the Authority with details of Wiltshire's comparative position on a range of SEN indicators.

The second stage, planned for spring 2003, will review the SEN strategy, taking into account the issues raised by the comparative data. We will report the results of this work in our next year's Annual Audit Letter.

Future audit work

The Audit Commission audit year is changing from 1 November - 31 October to 1 April - 31 March. We have therefore provided the Council with proposals for an audit plan for the five month period 1 November 2002 to 31 March 2003. This will be deemed the 2002/2003 audit. Although we are required to fulfil a complete statutory audit in the shorter period, the audit will clearly not include a complete Best Value audit. A statement of accounts audit will be included though the audit work involved will fall after the end of the financial year.

We will then prepare an audit plan for the financial year 2003/2004, commencing 1 April 2003. The content of this plan will be a combination of the Audit Commission's Code of Audit Practice and the Audit Commission's Inspection role. We believe this will enhance the overall benefit to the Council and to the public of

the overall external scrutiny of the Council's activities. In addition, we are making arrangements to liaise more closely with the Social Services Inspectorate, Ofsted and other relevant external regulators.

The extent of the performance element of our audit will in future depend on Comprehensive Performance Assessment ratings and our audit risk assessments. Our audit of the accounts of the Council and financial aspects of its corporate governance will not be based directly on CPA ratings, but will reflect our ongoing audit risk assessments.

For the short audit year 2002/2003 we propose to continue our work with the Council on:

- adult care services developments
- IT management
- pensions related financial health issues
- change management and community planning
- improvement planning and responding to the corporate assessment
- implementing risk management processes
- strengthening the ethical culture of the Council.

Status of our Annual Audit Letter to the Council

Our Annual Audit Letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Annual audit letters are prepared by appointed auditors and addressed to Members. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.

Closing remarks

We would like to record our thanks and appreciation to Members, Chief officers and staff of the County Council for their consistently helpful engagement with us throughout the course of the audit.



Richard Lott
District Auditor
23 January 2003

Reports issued during the year 2002

- External Auditor Role in Promoting Standards (presentation) – March
- IT Security Review – March
- Telecoms Review – May
- Costing and Funding of Small Schools – July
- Interim Audit Report – Regularity Issues – August
- Best Value Compliance – September (draft)
- Best Value Performance Indicators – November (draft)
- Pensions Fund Financial Health – November (draft)
- Corporate Performance Assessment – December
- Ethical Framework and Culture – December (draft)
- Best Value Statutory Opinion and Report (December)