

Annual Audit Letter

Harlow District Council

Audit 2008/09

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your accounts and the results of the work I have undertaken to assess the way in which you use your resources.

Accounts

- 1 The Council is required to prepare and approve its accounts by the 30 June 2009. The Council met that deadline and I was able to complete my audit programme by the 30 September deadline. As a result of my work, I concluded that the accounts 'presented fairly' the Council's financial position at the 31 March 2009 (an unqualified audit opinion) and its income and expenditure for that financial year.
- 2 The accounts presented for audit were mostly complete, however the working papers to support the accounts were not provided until 22 July, were incomplete and not all agreed to the figures in the accounts, particularly in relation to debtors and creditors.
- 3 Our audit found five material errors in the approved accounts which the Council agreed to correct, as well as eight further amendments to ensure disclosure in the accounts met statutory requirements. Officers chose not to amend for six further errors. These errors were not significant as to distort the overall financial position of the Council. However, I reported these to the Council's Audit Committee, who raised these with the Policy and Resources Committee (as those charged with governance of the Council), who concurred with officers' decisions not to amend the accounts for those errors. The Committee formally provided me with their rationale for not adjusting the accounts for these errors.
- 4 An enhanced reporting framework (International Financial Reporting Standards) is to apply to all councils' accounts in 2010/11. The Council is aware of the need to comply with these standards and has set aside £20,000 in its 2009/10 budget to help meet this requirement. However, the Council needs to develop a project plan to prepare for these changes and progress with their implementation.

Use of Resources

- 5 We assess how the Council makes use of the resources at its disposal to provide local services. A national framework is applied to our assessment, with a score given between 1 (inadequate and below minimum standards) and 4 (performing strongly) in each of three key areas.
- 6 The Council is performing adequately overall (Level 2). It attained the following scores in our assessment:
 - level 2 in respect of the way it manages its finance;
 - level 2 in respect of the way it manages and governs the business as a whole; and
 - level 2 in respect of the way it manages its people.

Managing finances

- 7 Strategic financial and corporate planning continues to be a strength of the Council. The integration of strategic documents with operational plans is not as evident and more work is required to engage stakeholders and the public in financial planning.
- 8 Linkages between financial and non financial information need to be further strengthened and despite the Council's efforts to move this forward, there is still a gap between how costs, savings and efficiencies link to performance, service delivery and the efficiency plan.
- 9 The Council produces monthly budget monitoring information. This is transparent and continuously challenged and has led to an earlier update of the budget and identification of cost pressures and action plans. Financial reporting to the public needs to be further developed.

Governing the business

- 10 The Council and its partners share a long-term vision and have a clear vision of outcomes. This is communicated through various means and they have sought different ways to deliver services whilst achieving value for money, savings and limiting the impact on finances.
- 11 Work continues to strengthen data quality and the Council's overall arrangements for data quality met minimum requirements. Audit reviews of performance indicators have identified several issues, such as mis-recording of information and reliance on manual intervention.
- 12 Reports are clear and understandable which has enabled members to make difficult decisions using the information provided.
- 13 Risk management is developing and the Council are continuing to move this forward by making improvements both strategically and operationally. There is some evidence of member and officer involvement on managing strategic and operational risks but no database of corporate risks.

Managing resources

- 14 There are a number of ways in which staff can communicate ideas and a range of staff activities are available. There has also been a comprehensive range of support mechanisms for staff during periods of organisational change.
- 15 The Council has not been able to demonstrate that it has considered its workforce skills or staff mix in terms of delivering services or its longer strategic vision or corporate objectives and this area would further benefit from a skills audit or equivalent.

Other supporting work

- 16 In order to support use of resources judgements, we undertook the following work:
 - review of financial management and budgetary control - in response to the difficult financial situation faced by the Council in 2007 and 2008;

Key messages

- benefits diagnostic - to identify improvements following mixed performance with the benefits process and payment arrangements; and
- ethical governance diagnostic - to ensure arrangements are robust and effective following the change in political control of the Council and historic problems with the political arrangements.

17 In each review, we found that arrangements were in place but more could be done to address improvements.

Managing Performance

18 The Audit Commission also assesses how well the Council manages and improves its services and contributes to wider community outcomes. The assessment considers how successful the Council is in delivering its corporate priorities. The priorities have been drawn from what matters most to the local people.

19 The Council scores 3 out of 4 for managing its performance (the scoring mechanism is as for Use of Resources). The managing performance score is 3 because Harlow District Council is delivering a range of good services and improvements for local people. The Council is responding effectively to changing economic conditions and is supporting businesses affected by the recession. The Benefits service has worked with partners to provide support to those in need. As a commercial landlord, payments have been changed from quarterly in advance to monthly in advance with payment plans available on request. There is a rapid redundancy response team which is a partnership between the Council, Jobcentre Plus, Harlow College and Business Link.

20 Performance has improved in key services to customers. Local people are benefiting from an increased supply and better quality housing. Resident satisfaction with the cleanliness of the area is good and recycling rates have improved, although they are still below average. People claiming Housing and Council Tax benefit wait less time to get their money.

21 Harlow is a safer place to live and antisocial behaviour is reducing. Regeneration of the town is progressing with a new athletics track open and new leisure centre which is shortly to open.

22 There are a range of plans to continue physical improvements such as developers have been agreed for Town Centre North and some estates. Facilities for young people have improved with the opening of a Youth Café and a skate park. Support for families has also improved through extension of the children's centre network.

23 The Council provides good leadership across the district and has clear ambitions for the district. It works well with partners to deliver priorities. Performance management arrangements are good. The Council has responded well to financial constraints and has maintained and improved performance in some key service areas. The Council is already exploring options to deliver more services in partnership to address future budget challenges.

24 However, this is not yet leading to confidence from residents. The Council and its partners have more to do to improve public perceptions.

Overall Organisational Assessment

- 25** The Use of Resources and Managing Performance assessments are combined to give an overall organisational assessment judgement for the Council. The Audit Commission has determined that the organisational assessment judgement for Harlow District Council is that it performs well because it is delivering a range of good services and improvements for local people. It has addressed some difficult financial issues without any loss of key services, partly through greater efficiency. It has also funded some new initiatives and facilities. Areas it needs to address to improve its use of resources have not affected its provision of many good services to local people.
- 26** The Council's Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Essex.

Financial Standing

- 27** The last year has seen the country enter a significant economic recession on the back of a global economic crisis triggered by the collapse of a number of high profile international banks.
- 28** The consequence locally is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
- 29** The Council is responding to this challenge. The implications of the recession are understood and the challenges faced are being acknowledged by the Council as a whole. The latest financial strategy considers the impact of the economic downturn and addresses the funding shortfalls and increased demand for services. During the 2008/09 financial year, the Council took steps to review its spending and budget progress at an early stage and an interim budget was approved in August 2008. The Council ended the year with a General Fund underspend of £146,000 against the original budget, which represented 0.23% of the gross annual budget.
- 30** The impact of the recession will continue to present a challenge to the Council in the coming financial year. I will continue to monitor the Council's response and actions in this key area.

Audit fees

- 31** I have been unable to deliver and conclude my audit programme within the fee that I planned. This was due to significant additional work being required to obtain assurance on your financial statements and to assess your arrangements to secure value for money, particularly in the areas of assets and capital.

Key messages

Independence

32 As the External Auditor appointed to audit the Council, I have to maintain my independence. I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Recommendations

33 I have made a number of recommendations within my Annual Governance and Use of Resources reports to further develop the arrangements in place at the Council.

34 The Council should monitor the implementation of these recommendations.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

- 35** I issued an unqualified opinion on the Council's accounts on 30 September 2009, thereby meeting the 30 September deadline set within the Accounts and Audit Regulations 2003. In my opinion the accounts present fairly the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.
- 36** Before giving my opinion, I reported to those charged with governance through the Audit Committee on the issues arising from the 2008/09 audit. I issued my report on 22 September 2009.

Accounting issues

- 37** The draft accounts were approved on 25 June 2009, prior to the 30 June deadline specified in the Accounts and Audit Regulations 2003.
- 38** Officers were provided with a working paper checklist prior to the start of the audit process. The draft accounts were provided to us by 1 July, however the working papers were not provided until 22 July. In addition, the working papers file was not complete and several changes had been made and not notified to us, particularly in relation to debtors and creditors. There is scope for further improvements next year, particularly in relation to the maintenance of the fixed asset register.
- 39** Five material errors were identified and amended in the financial statements and a number of further amendments were made to ensure disclosures met the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2008.
- 40** The Council appointed a permanent internal audit manager in August 2008, providing some continuity and direction to the service. A budget has also been set aside in 2009/10 to purchase external support and audit days for IT audits. However, the Internal Audit Annual Report for 2008/09 was only able to provide limited assurance on the Council's control environment due to the limited amount of audit work that had been completed. In addition, where systems have been reviewed by Internal Audit, a number of recommendations have been made. I support the implementation of these recommendations as a way of strengthening the Council's control environment.
- 41** I presented my Annual Governance Report to the Audit Committee on 22 September 2009, which included the full details of the issues arising from our audit of the accounts. I reported the adjusted and unadjusted errors that my audit had found. I

Financial statements and annual governance statement

requested that the Audit Committee formally consider the audit errors, for which officers had chosen to not adjust.

- 42 This consideration was formally recorded in a Letter of Representation to me, which allowed me to conclude my audit procedures and issue my audit opinion as set out above.

Certification of claims and returns

43 We certify the Council's claims and returns on the following basis:

- claims below £100,000 are not subject to certification;
- claims between £100,000 and £500,000 are subjected to a reduced, light-touch certification; and
- claims over £500,000 are subjected to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment leads to a reduced certification approach for these claims.

- 44 The Council's housing benefits and disabled facilities returns required amendment prior to certification and a qualification letter was issued in relation to the housing benefit claim. The reasons for the amendments and the qualifications have been reported to officers and improvements to strengthen the Council's arrangements for the preparation of claims and returns have been agreed.

International Financial Reporting Standards

45 The national timetable for the implementation of International Financial Reporting Standards (IFRS) means that these will be first applied in the 2010/11 financial year. However, comparative figures for the 2009/10 financial year will be required.

46 Applying IFRS will have significant implications for the way in which local authorities prepare their annual financial statements. The Council has not yet developed a project plan to implement these standards and has made limited progress with their implementation. The intention is to restate the 2008/09 financial statements before 30 June 2010.

Value for money and use of resources

I considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 47** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 48** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 49** The Council's use of resources theme scores are shown in Table 1 below.

Table 1 Use of resources theme scores

| Use of resources theme | Scored judgement |
|------------------------|------------------|
| Managing finances | 2 |
| Governing the business | 2 |
| Managing resources | 2 |

- 50** The key findings and conclusions for the three themes, and the underlying KLOE, are set out in my detailed Use of Resources report. The key theme findings are summarised below.

Managing Finances

- 51** Financial planning is integrated with strategic planning and corporate priorities, however integration of strategic documents with operational plans is not as evident. There has been consultation with the public on corporate priorities and with staff and members on budget setting, although more is needed to engage stakeholders in financial planning.

Value for money and use of resources

- 52** Costs are considered for some new projects and there is an understanding of unit and transaction costs, although this is not evident in all areas of the Council and some new contracts have not been based on robust costing data. Individual cost centres are reviewed and compared with other local councils and this has identified areas of high cost which have led to a fundamental review of some services. The contract with Kier Harlow was established two years ago and at the time did not have adequate historic baseline information. Although the Council has not yet moved to a fixed price, it seeks to ensure value for money by applying a contractually agreed national rate less 12%.
- 53** The Council has demonstrated savings and efficiencies over the last two years, though it is uncertain whether this may be partly attributable to the response to the forecasted overspend in 2007/08, rather than an intended approach to financial planning. In addition to the Council's General Fund budget, which plans for efficiency savings each year, the Council also identified further efficiency savings to external cost pressures during the year.
- 54** Linkages between financial and non financial information need to be further strengthened. Despite the Council's efforts to move this forward through the work involved in the Service Value Analysis Matrix (SVAM), review of Audit Commission value for money (VFM) profiles and outlining a proposed reporting structure to members, there is still a gap between how costs, savings and efficiencies link to performance, service delivery and the efficiency plan.
- 55** The Council produces monthly budget monitoring information; this is transparent and continuously challenged and has led to an earlier update of the budget and identification of cost pressures and action plans. Reports are clear and understandable and members have had to make difficult decisions which they would not have been able to consider without sufficient information. However it is acknowledged that financial reporting to the public needs to be further developed.
- 56** In 2008/09, there were three material errors in the accounts and two of these occurred due to incorrect accounting treatment in the accounts of entries in the asset register, as well as incorrect balances for debtors and creditors. The Council agreed to all amendments and the opinion was unqualified. Further improvements can be made in this area through timely submission of working papers for audit, further overall commitment to the process and more robust challenge to the draft accounts.

Governing the Business

- 57** The Council has a clear vision of outcomes and has sought different ways to deliver services whilst achieving value for money, savings and limiting the impact on finances. Processes involve suppliers, partners and are starting to involve local people but have not been so strong in involving staff. An extensive option appraisal was carried out on the waste contract and different options are evaluated to procure services.
- 58** The Council and its partners share a long-term vision that is communicated through various means. The Council has adequate arrangements for its governance arrangements over partnership working.
- 59** The Council's overall arrangements for data quality met minimum requirements and the Council is compliant with Code of Connection for the Government Connect Secure Extranet. Work continues to strengthen data quality although audit reviews of

performance indicators have identified several issues, such as mis-recording of information and reliance on manual intervention.

- 60 Performance reports have been made more user-friendly. Senior management monitor performance and improvement action plans are produced where performance is falling behind. A quarterly performance report is produced and reported to the Audit Committee and the 2008/09 year end figures were reported to members in June 2009.
- 61 The Council made a significant effort to meet the requirements of the Annual Governance Statement last year and this process continues to be developed. There is a good working relationship between members, corporate management team (CMT) and staff and attitudes and behaviours form a part of Personal Performance Plans (PPP).
- 62 Risk management is developing and the Council are continuing to move this forward by making improvements both strategically and operationally. There is some evidence of member and officer involvement on managing strategic and operational risks but no database of corporate risks. Arrangements for anti fraud and corruption are adequate and National Fraud Initiative (NFI) work is progressing. The Council takes steps to prevent and combat fraud and corruption and internal audit's plan includes a contingency for investigations. However, there is limited proactive work and the Council could do more in this area.
- 63 There has been ongoing investment in internal audit, including the appointment of a permanent manager leading to real improvements in this area, such as increased productivity compared to last year from 200 days productive work delivered in 2007/08 to 300 days in 2008/09.
- 64 The internal audit opinion for 2008/09 gave limited assurance on the overall adequacy and effectiveness of the Council's control environment due to limited work on the key systems. Weaknesses in controls in key financial systems have been identified but they are not deemed significant enough to cause a material misstatement in the accounts.

Managing Resources

- 65 There are a number of ways in which staff can communicate ideas and a range of staff activities are available. There has also been a comprehensive range of support mechanisms for staff during periods of organisational change.
- 66 Training plans and resource plans are in place and there are support processes for staff to develop and train, such as management development courses and national vocational qualifications (NVQs). However, the Council has not been able to demonstrate that it has considered its workforce skills or staff mix in terms of delivering services or its longer strategic vision or corporate objectives. In addition, although talent management is being explored it is not yet fully in place and work in this area would further benefit from a skills audit or equivalent.
- 67 The Council has attained Equality standard level 2 and is working towards achieving level 3.

VFM Conclusion

- 68** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.
- 69** Based on the Use of Resources assessment, which was linked to the criteria set out above, I was able to issue an unqualified conclusion, stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Specific risk based work

- 70** I carried out the following specific pieces of work to provide me with assurance for my Use of Resources assessment in the following areas:
- a review of budget preparation arrangements;
 - benefits service diagnostic; and
 - ethical governance diagnostic.

Review of budget preparation arrangements

- 71** During 2007/08, Harlow District Council's management information system identified a potential significant cost pressure of £1,769,000 compared to its original budget estimate of £15,777,000. I carried out a review to ascertain the reasons behind this overspend and confirm that the budget process adequately identifies and establishes a reasonable budget for the Council's funding needs and requirements. In addition, the review looked at whether the service funding needs are adequately assessed and reflected in the budget.
- 72** Our work identified that there were a number of reasons for the potential overspend of £1,769,000 in the Council's 2007/08 budget, of which around 70 per cent was due to external pressures. In December 2007, the Council implemented an action plan of actions to address these issues by reducing costs and utilising reserves. The Council set a balanced budget for 2008/09 and committed to continue to improve performance within available resources.
- 73** The Council's budget setting process has a number of strengths:
- the budget timetable currently in place is generally adhered to by service heads;
 - the use of the 'Star Chamber' process is widely recognised as a positive element of the process and helping ensure that the overall budget is realistic;
 - regular monitoring of budget expenditure is in place;
 - the Medium Term Financial Strategy clearly relates to the Council's aims and priorities and is supported by the Medium Term Financial Plan;
 - service budgets are appropriately linked to the Medium Term Financial Plan;
 - the 2008/09 budget has been set with a prudent approach;

- profiling of service budgets takes place and there are some cost centres where budget profiling has improved; and
- managers are clear that there is an increased focus on the accountability and monitoring of finance headed by the new Strategic Director.

74 However, there are a number of areas for improvement;

- the formal budget preparation process and Star Chamber input would benefit from commencing earlier to fully inform the budget;
- councillors are not generally being provided with budget monitoring information and it lacks a comprehensive narrative for them to fully understand the detail behind the expenditure;
- budget monitoring reports have not always been consistently available to all councillors;
- the Medium Term Financial Plan is not used as a live tool and routinely reviewed and updated throughout the year;
- updating of profiled service budgets is not consistently applied across the Council;
- comprehensive service benchmarking with other councils to identify good practice is not consistently applied; and
- systematic follow up of Internal Audit recommendations would ensure that weaknesses identified are resolved.

75 We note that the Council has made progress towards implementing these recommendations and the arrangements for budget preparation and monitoring have been refined. We will continue to monitor the Council's progress in this area through our ongoing use of resources work.

Benefits service diagnostic

76 We identified some mixed performance in the past within the Benefits service. Our work was undertaken to identify if improvements to the benefits service were sustainable and the extent of customer focus of the service.

77 Key conclusions were:

- the benefits service has made progress over the last year to improve processing times so that customers now receive payment more promptly. However, in the same period accuracy deteriorated slightly;
- target setting is not effectively supporting performance improvement;
- the Benefits service risks falling short of top quartile performance levels for a sustained period. However, the service has introduced some incremental changes to its business process which have had a positive impact on performance and have been well supported by staff helping to improve morale. Further changes are also proposed;
- the Benefits service is not fully effective at obtaining timely information from customers;

Value for money and use of resources

- accessibility to the Benefits service is mixed but improving and the service's approach to understanding the needs of its customers and making the service more accessible is not fully effective;
- the service has more to do to raise the awareness of its contribution to wider corporate objectives; and
- the service does not yet maximise the support available to it from Contact Harlow.

78 Recommendations have been made to the Council Officers are developing an approach to further improve the service, dealing with areas of improvement identified by our recent follow up review.

Ethical governance diagnostic

79 A review of governance was undertaken through a diagnostic survey of members and senior staff. The purpose of this diagnostic was to ensure arrangements are robust and effective following the change in political control of the Council and historic problems with the political arrangements. The work covered four areas:

- balancing rules and trust - how far the Council is supporting the genuine motivation of people while ensuring that those who do breach the rules are challenged;
- independent overview - how far the Council is monitoring, developing and promoting the Council's approach to the ethical agenda and how far this is delivering improvement;
- leadership - how far the Council is encouraging good conduct in the Council, including in relation to the equalities and diversity agenda; and
- transparency - how far the Council is ensuring transparency in the way it carries out its business.

80 To complete this diagnostic audit we undertook an electronic survey of members and senior officers. This provided a self assessment of compliance with the principles of good ethical governance. We were able to compare survey results for councillors against survey results for officers and to compare the Council's results to those in other organisations. There were 22 survey responses from 33 Members, which is a good return rate and better than national averages. The 36 officer responses from 40 surveyed are also a very positive return rate and better than national averages. Such comprehensive returns indicate that officers and members were aware of the value of participating in this diagnostic and means that results are not disproportionately affected by single dissenting opinions.

81 The responses from officers to the survey were less positive than average for other councils in three of the four areas. Member responses were however more positive than the average in all four areas.

82 Overall, the Council has relatively good standards of ethical governance. Codes of conduct for both members and officers are working effectively. However, other than the Standards Committee the Council has no systematic arrangements for monitoring compliance with standards of conduct across the Council.

83 Members and officers trust each other and work effectively together. There is consensus that Harlow Council has progressed in the last five years, member

behaviour has improved, confidences are generally kept and bullying is not an issue. Both Standards Committee and Scrutiny committee are regarded as impartial and apolitical in their dealings.

84 However, there were areas where further improvements could be made. The main areas for improvement identified by the survey were:

- to develop systematic arrangements for monitoring compliance with standards of conduct across the Council;
- the profile of ethical governance issues should be raised throughout the Council, with focus on:
 - officer awareness of roles and processes;
 - clarifying who leads on the ethical governance agenda;
 - defining the added value that the Standards Committee can offer on the ethical governance agenda; and
 - considering how to promote ethical governance to the wider community.
- to consider how to make the Members' register of interests more easily accessible to the public; and
- to ensure that the Whistle blowing code is promoted internally to inform officers' understanding. Externally the Whistle blowing code should be promoted to partners and the wider public.

Financial standing

- 85** The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies has been immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams.
- 86** There are further challenges for policy priorities where patterns of demand for services are changing. I have reflected on the wider environmental, specific issues and risks and the Council's response.
- 87** The financial position of the Council is becoming increasingly challenging, in particular for future financial periods (2009/10 onwards):
- the proposed 2009/10 budget includes the use of reserves to fund the carry over of unspent budgets from 2008/09 totalling £330,000, together with planned expenditure on one-off items totalling £269,000; and
 - medium term financial planning has identified funding gaps in the region of £1.6 million in 2010/11 and £1.2 million in 2011/12, however there are a number of factors that may affect this forecast.
- 88** The Council is responding to this challenge; the medium term financial strategy considers the impact of the economic downturn and addresses the funding shortfalls identified. The implications of this are understood and the challenges faced are being acknowledged by the Council as a whole.
- 89** Following the collapse of the Icelandic banking institutions in 2008, the Council reviewed its processes and reporting arrangements. An amended Treasury Management Strategy Statement was adopted for 2009/10 with tighter investment criteria and procedural improvements. The Council did not have any investments lodged with Icelandic banks and there is now a stronger focus on risk and return of investments rather than return on investments.
- 90** Though the economic downturn is presenting specific issues and risks to the Council, I am satisfied that it is taking appropriate steps to respond. However, this is an area I will continue to consider closely when assessing how the Council makes effective use of resources during my 2009/10 audit.

Audit fees

91 The actual audit fee is more than planned, as outlined in Table 2 below. Whilst we recognise that the Council has undertaken work to improve its asset register and disclosure of capital, significant additional work was required to obtain assurance on your financial statements and to assess your arrangements to secure value of money, particularly in the areas of assets and capital.

Table 2 Audit fees

| | Actual | Planned | Variance |
|--|-----------------|-----------------|-----------------|
| Financial statements and annual governance statement | £89,665 | £84,665 | £5,000 |
| Use of resources and performance reviews | £63,030 | £63,030 | £0 |
| Data quality | £12,135 | £12,135 | £0 |
| Whole of government accounts | £3,300 | £3,300 | £0 |
| Total audit fees | £168,130 | £163,130 | £0 |

Closing remarks

- 92** I have discussed and agreed this letter with the Chief Executive and the Strategic Director. I will present this letter at the Audit Committee on 20 January 2010 and will provide copies to all members.
- 93** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Table 3

| Report | Date issued |
|--|----------------|
| Audit and inspection plan | May 2008 |
| Review of budget preparation arrangements | June 2008 |
| Benefits service diagnostic | August 2008 |
| Opinion audit plan | April 2009 |
| Annual Governance Report | September 2009 |
| Opinion on the financial statements | September 2009 |
| Value for money conclusion | September 2009 |
| Ethical governance diagnostic | October 2009 |
| Use of resources report | November 2009 |
| Annual audit letter | December 2009 |
| Managing performance and organisational assessment | December 2009 |

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- 94** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Availability of this letter

- 95** This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

Christine Connolly
Appointed Auditor
December 2009