



Leicester
City Council

WARDS AFFECTED
All

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:
Finance, Resources and Equal Opportunities Scrutiny Committee
Cabinet

28 February 2002
11 March 2002

Annual Audit Letter 2000/2001

Report of the Chief Executive

1. Purpose of Report

To advise members of

- a. The key messages arising from the Annual Audit Letter for 2000/2001, and
- b. The main actions taken or proposed as a result.

2 Summary

- a. The Audit Commission Code of Audit Practice requires the District Auditor, as the Councils appointed external auditor, to prepare an annual audit letter, which sets out the findings of the auditor's work. The letter provides a commentary on a number of specific matters.
- b. At its meeting on 24 January 2002, the Finance, Resources and Equal Opportunities Scrutiny Committee asked Cabinet to ensure that the Chief Financial Officer puts into place actions to make sure the outstanding actions arising from the District Audit Management Letter 1999/00 are completed.

3. Recommendations

The Cabinet is recommended to

- a. note and endorse the actions taken by the Chief Executive as a result of the Annual Audit Letter 2000/01, as set out below
- b. refer the action plan to Scrutiny Committee to monitor implementation.
- c. note and endorse the view of the Finance, Resources and Equal Opportunities Scrutiny Committee to require the Chief Financial Officer to put into place actions to ensure outstanding actions arising from the District Audit Management Letter 1999/00 are completed

The Finance, Resources and Equal Opportunities Scrutiny Committee is asked to note the report and make its views known to the Cabinet on the content of this report.

4. Key Findings

- a. The District Auditor acknowledges that the Council has performed well during the year, and specifically refers to improving and good performance reflected in
 - i. The issue of an unqualified opinion on the accounts
 - ii. The development of risk management
 - iii. The issue of a Best Value Performance Plan compliant with the law.
- b. Against these, the Auditor has identified a number of issues, details of which are contained in the document itself, where he feels specific action is required. The Auditor

intends to carry out some specific work as part of his plan for the audit for 2001/02 in order to assess progress made.

- c. A copy of the Annual Audit Letter 2000/01 was sent to all members of the Council on 16 January 2002.

5. Action Plan

The key areas requiring action are set out below. Against each are the current key milestones for addressing the issue:-

- i. Preparation for earlier production of annual accounts, to support Whole of Government Accounting being introduced from 2005/06
 - a. The government's proposals to produce "Whole of Government Accounts" are still at an outline stage and more details will be needed in order to identify the changes to current practices that would be required.
 - b. As further details become known (estimated to be by the end of 2002), consultations with departments and the District Auditor will be required.
 - c. Production of a revised working timetable for the earlier production of the accounts will follow.
- ii. Improvement of arrangements for administration and production of grant claims.
 - a. It has been acknowledged by the District Auditor that there is no further action needed by the Chief Financial Officer at this time.
 - b. The District Auditor will carry out a project, as part of his 2001/02 audit plan, aimed at improving Council performance in grant claim production, with the objective of reducing associated audit fees. This review will focus on the activities of operational managers.
 - c. The full benefit of the work planned by the District Auditor is unlikely to be felt until claims for 2002/3 are audited (during 2003/4), although some improvement is anticipated as a result of improvements to procedures made during 2001/2.
- iii. Arrangements to improve the performance of Internal Audit.
 - a. A review of the section under Appendix R was completed on 31 December 2001 and transitional arrangements to implement it are ongoing.
 - b. Arrangements are also in hand to develop a partnership with an external provider. This partnership would be a collaborative venture allowing for exchange of working practices to the mutual benefit of both parties. Tendering for this arrangement has commenced and it is anticipated that the partner will have been selected and put in a position to commence work by 1 July 2002.
 - c. The District Auditor is planning to carry out a follow-up review of the section early in 2002, to assess progress made since his previous review in 2000.
- iv. Development of budgetary control within the Social Services Department
 - a. The action plan linked to the detailed recommendations includes steps to address the points raised in the audit. Specifically, steps to more fully fund historical shortfalls are continued in the 2002/03 Departmental Revenue Strategy, work is on-going to produce a comprehensive establishment list, and the commissioning budget will be devolved to a progressively greater extent over the next three years.
- v. Improving member scrutiny of arrangements for PFI schemes
 - a. On 18th February the Arts, Leisure & Environment Scrutiny Committee will receive a presentation from the Project Manager designed to cover the course of the project to date and to outline the plans for the management of the remainder of the project. It is our intention that, during the subsequent discussion the part to be played by the Scrutiny Committee in this project in the

future will be discussed. Mention will, of course, be made to the District Auditor's comments concerning the formal involvement of scrutiny. Our expectation is that a programme of further reports will then be agreed and subsequently delivered.

- vi. Addressing high levels of absence and exclusions from schools
 - a. The Education Development Plan (EDP) contains eight "Priorities for Action", each with its own set of supporting activities. Priority 5.5 and 5.6 address the District Auditor's key message for Education.
 - b. The EDP also contains the requirements of the OFSTED report.
 - c. The EDP has also been agreed with DfES Chief Adviser. Secretary of State approval will follow.
- vii. Improvement of Best Value Reviews in the light of Best Value Inspection reports received.

A number of steps have already been taken to address this matter, specifically

 - a. Better liaison/coordination and general working with the Best Value Inspectorate (already in progress)
 - b. Dissemination of the Inspection reports and learning points (primarily on the intranet)
 - c. Improved, more focused, training programme (the programme will be delivered between January and June 2002)
 - d. Best Value review guidelines have been reviewed and improved (these are again located on the intranet)
 - e. Better guidelines on Business planning have been produced and placed on the intranet.
 - f. Ongoing implementation work on the performance management framework through presentations, liaison and the introduction of audits of business plans.
 - g. Programme of briefings and communication to generally raise awareness of Best Value and support for it (this includes publication of a Best Value Newsletter)
 - h. Introduction of a Quality Assurance system to ensure reviews meet the required standards prior to submission to the Inspectorate.
 - i. Research into good practice on reviews of other authorities
 - j. Ongoing work with departmental Best Value Coordinators
 - k. Ongoing financial and facilitator support for the review programme.
 - l. Improved Best Value Intranet site and resources to support reviews.

6. Financial and legal Implications

- a. There are no direct financial or legal implications arising from this report.

Other implications	Yes/No	Paragraph referred
Equal Opportunities	No	-
Policy	No	-
Sustainable & Environmental	No	-
Crime & Disorder	No	-
Human Rights Act	No	-
Elderly/People on Low Income	No	-

7. Background Papers

Annual Audit Letter 2000/01 to Leicester City Council dated 19 November 2001

8. Report Author/Officer to contact:

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R. Green

Chief Executive