

Item No. 6.	Classification: Open	Date: 29/03/2007	Meeting Name: Audit Committee
Report title:		Annual Audit and Inspection Letter 2005/6	
Ward(s) or groups affected:		All	
From:		Finance Director	

RECOMMENDATION(S)

1. That the Audit Committee notes the Annual Audit and Inspection Letter for 2005/6.

BACKGROUND INFORMATION

2. This letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and inspections that have been undertaken in the last year and from a wider analysis of the Council's performance and its improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.
3. The letter is in a shorter format than in previous years because its focus is on the Audit Commission's inspection role. The main issues from the audit work were reported in the Audit Commission's Annual Governance Report (AGR), and presented to the Audit Panel (now constitutionally replaced by this committee) in September 2006. This letter also contains brief details of the main issues from the AGR, and the most important messages from the more recent audit work.

KEY ISSUES FOR CONSIDERATION

4. The Audit Commission has 5 key findings to report:
 - The Council is improving well and has been assessed as three-star in the Audit Commission's Comprehensive Assessment Framework for 2006. Most services are improving in line with priorities, notably in children and adult services and benefits and recycling, although progress is less evident in cultural services.
 - The Council's statements of accounts and pension fund for the year ended 31 March 2006 received unqualified opinions. Opportunities to improve the quality of aspects of the financial statements and supporting working papers were identified.
 - The Council's arrangements for securing economy, efficiency and effectiveness in its use of resources were also received an unqualified opinion.
 - The Council's overall finances were sound, but given the significance of the Council's investment plans, they need to be continuously monitored.

Expenditure in the year was carefully monitored and the revenue and capital budgets for 2005/06 were delivered.

- The Council has ambitious and challenging plans for the next few years. It intends to invest significant sums of money into regeneration and housing schemes and strengthen community cohesion within the borough. To deliver these improvements, an extensive change programme has been put in place, including strategic management changes which better reflect Council priorities. To ensure that these developments stay on track, the Council will need to continue to ensure that its risk and project management processes and governance arrangements remain robust.
5. The letter has identified 6 actions for the Council to address these main findings, one of which has already been achieved by the establishment of this committee itself:
- review and strengthen project management, governance and monitoring arrangements to ensure that the current change programme stays on course;
 - continue to improve culture and environmental services;
 - build on current benchmarking exercises to gain a better understanding of the relative cost of Council services to guide future developments;
 - improve the consistency of the quality of working papers supporting the Council's financial statements;
 - in accordance with good practice, the Council should establish an Audit Committee; and
 - implement individual recommendations arising from the audit and inspection reports issued.
6. Arrangements are already in place to address the issues identified by the Audit Commission and are being implemented through improvement plans. Officers are therefore confident that progress will be noted and acknowledged through the Annual Audit and Inspection letter and Use of Resources judgement for 2006/7. This committee will be kept informed of progress through the course of its meetings over the next year.

Community Impact Statement

7. This report and the accompanying letter from the Audit Commission are not considered to have a direct impact on local people and communities, although the issues raised with regards to the Council's ambitious plans to secure improved outcomes for people and communities will have an impact which will be addressed in more detailed reports to the Executive.

Resource implications

8. There are no direct resource implications in this report.

Consultation

9. The Annual Audit and Inspection letter is a key document in assessing the Council's progress and plans for the future. The issues raised will be reflected in appropriate consultation, such as through the Council's Policy and Resources strategy. The letter will be published on the Council's website in accordance with usual practice.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

10. None required.

REASONS FOR URGENCY

11. The District Auditor in his assessment of the council's Use of Resources for 2006/7 will need to consider in particular the arrangements in place for Financial Reporting and Internal Control. The establishment and effective discharge of the functions of an Audit Committee will represent important evidence for the District Auditor in reaching his judgement but will need to have taken place before 31 March 2007 in order to be considered for the 2006/7 judgement.

REASONS FOR LATENESS

12. The report is late in order to include the finalised Annual Audit and Inspection letter.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Use of Resources Judgement 2005/6	Corporate Planning & Performance Southwark Town Hall	Stephen Gaskell x57293
Annual Governance Report 2005/6	Corporate Planning & Performance Southwark Town Hall	Stephen Gaskell x57293
Statement of Accounts 2005/6	Financial Management Services Southwark Town Hall	Dennis Callaghan x54375

APPENDICES

No.	Title
Appendix 1	Annual Audit and Inspection Letter

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Finance Director	
Report Author	Simon Hughes, Assistant Finance Director Stephen Gaskell, Corporate Planning and Performance	
Version	Final	
Dated	22/03/2007	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal and Democratic Services	No	No
Finance Director	Yes	Yes
List other officers here		
Executive Member	No	No
Date final report sent to Constitutional/Community Council/Scrutiny Team	27/03/2007	