

CABINET MEETING – 3 FEBRUARY 2010**EXECUTIVE SUMMARY SHEET – PART I****Title of Report:**

Audit Commission Annual Audit Letter – November 2009

Author(s):

Chief Executive and Director of Financial Resources

Purpose of Report:

To report to Cabinet the Audit Commission's Annual Audit Letter

Description of Decision:

Cabinet is recommended to:

- Note the contents and receive a presentation from the Audit Commission regarding the Annual Audit Letter;
- Refer the report to Council for its consideration.

Is the decision consistent with the Budget/Policy Framework?

Yes/No

If not, Council approval is required to change the Budget/Policy Framework**Suggested reason(s) for Decision:**

To ensure that the council acknowledges the progress made, and takes appropriate action in relation to those areas requiring further development, as described within the Audit Commission's Annual Audit Letter.

Alternative options to be considered and recommended to be rejected:

Consideration of the Annual Audit Letter by Members and its publication are statutory requirements and therefore no alternative options are proposed.

Is this a "Key Decision" as defined in the Constitution?

Yes / No

Is it included in the Forward Plan?

Yes / No

Relevant Scrutiny Committee:

Management Scrutiny Committee

AUDIT COMMISSION ANNUAL AUDIT LETTER – NOVEMBER 2009

Report of the Chief Executive and Director of Financial Resources

1.0 Purpose of the report

- 1.1 This report details the Audit Commission's (AC) Annual Audit Letter (AAL) covering the year 2008/2009. The letter includes issues arising from the audit of the council's financial statements and the results of the AC's work undertaken as part of the assessment of the council's arrangements to securing value for money in its use of resources.
- 1.2 The former Audit Manager, Lynn Hunt, will attend Cabinet to present a summary of the AC's findings and address any questions Members may have.

2.0 Description of Decision

- 2.1 Cabinet is recommended to:
 - Note the contents of this report and receive a presentation from the AC regarding the AAL;
 - Refer the report to Council for its consideration.

3.0 Introduction / Background

- 3.1 The AC prepares an annual statement which provides an overall summary of the Commission's assessment of the council, drawing on audit and performance assessment work. The statement summarises the findings and conclusions from the statutory audit and covers the period from April 2008 to March 2009.
- 3.2 The AAL summarises the findings of the AC's local risk based work which have contributed to the judgements made in relation to the council's use of resources, value for money conclusion and Statement of Internal Control.
- 3.3 In previous years the AAL contained a summary of the issues arising from the Comprehensive Performance Assessment (CPA) including the Direction of Travel judgement. Under the new Comprehensive Area Assessment (CAA) issues under the Organisational Assessment including Use of Resources judgements were previously reported to Cabinet at its meeting on 13 January 2009. However the AAL also includes the council's Use of Resources 2008/2009 judgements.
- 3.4 In bringing together the audit work for the year many of the issues in the AAL and corresponding improvement activity have been reported previously to Cabinet and will be addressed in the Council's Improvement Programme to improve the performance and reputation of the council.

4.0 Current position

The key issues identified in the AAL include:

4.1 Financial statements and annual governance statement

- 4.1.1 The AAL indicates that the council's 2008/2009 financial statements and working papers were prepared to a good standard, and an unqualified audit opinion was issued. No significant weaknesses in the council's internal control arrangements were identified.
- 4.1.2 In 2007/2008 the AC received a formal objection to the council's financial statements in relation to car parking enforcement. Similar objections have been received at other authorities and therefore the AC is obliged to consider them together and co-ordinate a consistent response. Although this issue is progressing, it remains unresolved.
- 4.1.3 The AC has recently received correspondence from the same objector indicating that he also wishes to object to the 2008/2009 accounts. Until these two objections have been resolved, the AC cannot issue a formal certificate to confirm that the audit has been completed for 2007/2008 and 2008/2009. However, the AC is satisfied that the issues raised do not have a material impact on the financial statements.

4.2 Local risk based work

- 4.2.1 As part of the 2008/2009 audit, the AC focussed on community cohesion and health inequalities (with a specific focus on harm caused by alcohol). The AC has also followed up on the previous year's work on performance management and target setting.

Community Cohesion

- 4.2.2 Promoting equality and diversity is one of the AC's key strategic priorities and is an important component of CAA. The work in this area was undertaken in 2 stages, as follows:
- Phase 1 (2007/2008) – assessing internal arrangements for providing fair access to services, ensuring that the council understands the needs of local people and is taking steps to promote equality and diversity within its own workforce;
 - Phase 2 (2008/2009) – an externally facing review of the council's approach to supporting inclusive communities.
- 4.2.3 The AAL explains that an action plan was agreed with officers in 2007/2008 following the work undertaken as part of Phase 1. The AC is pleased to report that the council has made progress against all elements of the action plan including developing structures and mechanisms to support approaches to cohesion, encouraging partners to adopt equality impact assessments, and working with and through Children's Services to enhance schools duty to promote cohesion.
- 4.2.4 The AAL draws attention that the council and its partners have an agreed definition of community cohesion, which is realistic, clearly articulated and relates well to the local area. Partners understand the specific risks to cohesion in Sunderland, and manage them proactively. However, action plans to support delivery of this strategy have not been developed, and there are insufficient measures in place to gauge progress and outcomes in this area.
- 4.2.5 A summary report providing progress against the action plan agreed at the end of Phase 1, and feedback on Phase 2 has been considered within the Council. The findings were also reported to other organisations in November 2009. All comments have been considered by the Partnership Community Cohesion Working Group and included into existing improvement plans.

Health inequalities in the North East

4.2.6 A joint review was undertaken by the AC and Deloitte with public sector bodies across the North East, as well as the voluntary sector, to consider how organisations are working together to tackle health inequalities. The AC referred to a number of positive findings as follows:

- Good progress is being made in tackling health inequalities through leadership from regional agencies, partnership working between public sector bodies and the voluntary sector at the local level, and by increasing or prioritising funding;
- Life expectancy is increasing and, in most areas, the mortality rate is reducing at a faster rate than nationally, narrowing the gap between the North East and the rest of the country;
- Organisations in the North East need to build on the progress made to date and ensure that they move further and faster to address these inequalities.

4.2.7 The report also refers to alcohol misuse as an important issue for Sunderland. As was reported to Cabinet last month the council and its partners have a range of plans in place to secure improvement including a new Alcohol Strategy is being developed by the Sunderland Partnership, informed by public consultation and the 'Big Drink Debate'. Work is also being undertaken as part of the 'Total Place' pilot, in partnership with Gateshead and South Tyneside Councils. Alcohol Treatment programmes targeted towards violent offenders with alcohol misuse issues started in July 2009.

4.3 Performance management and target setting

4.3.1 The AAL comments that the council's performance management and target setting arrangements have improved since the review undertaken in 2007/2008. The AAL draws attention to some key improvements made including:

- An IT based performance management system (Performance Plus) has been put in place and there is a clearer focus on tackling underperformance;
- Issues of underperformance which require additional financial investment, ICT solutions etc., are addressed through the Business Improvement Programme;
- The council's scrutiny function has been improved during 2008/2009, with increased capacity, officer support and better alignment to corporate objectives. This has enabled members to play a more central role in challenging key decisions and reviewing performance information.

4.4 Use of resources and value for money

4.4.1 The council's use of resources assessment report was presented to Cabinet on 13 January 2010. The main findings are repeated within Appendix 1 of the AAL. The AAL reaffirms that the AC has assessed the council to be 'performing well' in its use of resources and has judged its performance as 3 out of 4,

4.4.2 The AAL indicates that the council successfully integrates service and financial planning and has secured significant efficiency savings in recent years whilst at the same time investing in corporate priorities and improvements for local people. Processes for good governance and internal control are well established and effective.

4.4.3 The AAL also highlights that there are elements of particularly strong performance across a number of the KLOEs, in particular provision of value for money services, especially adult care; risk management arrangements and partnership governance.

- 4.4.4 The council demonstrates examples of best practice in relation to asset management and natural resources and the AC identifies areas where the council has opportunity to improve, for example further embedding sustainability into all of the council's activities and plans.
- 4.4.5 These issues have been included within the council's use of resources improvement plan and the council is already undertaking actions to secure the necessary outcomes. The council has a clearly stated ambition of improving its Use of Resources assessment in 2010, with the ultimate ambition of securing level 4 performance (performing excellently).
- 4.4.6 The AAL refers to the arrangements in place to secure economy, efficiency and effectiveness in the council's use of resources using the nine criteria set out in the key lines of enquiry and concludes that the VFM criteria has been met for each of these. The AC has issued an unqualified conclusion stating that the council had adequate arrangements in place.

5.0 Reasons for the decision

- 5.1 To ensure that the council acknowledges the progress made, and takes appropriate action in relation to those areas requiring further development as described within the AC's AAL.

6.0 Alternative options

- 6.1 Consideration of the AAL by Members and its publication are statutory requirements and therefore no alternative options are proposed.

7.0 Relevant considerations / consultations

- 7.1 Government regulations require the AAL to be published. In addition to publication as part of the Cabinet, Management Scrutiny Committee and Council Agendas, and its publication on the AC website it is proposed to place the full report on the council's website.

8.0 Glossary

AAL	Annual Audit Letter
AC	Audit Commission
CAA	Comprehensive Area Assessment
CPA	Comprehensive Performance Assessment
EMT	Executive Management Team
KLOE	Key Lines of Enquiry

9.0 List of appendices

1. Audit Commission Annual Audit Letter – November 2009

10.0 Background papers

- CAA reports and Performance update (April - September) - Cabinet, 13 January 2010