

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Further consideration by this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Audit & Standards Committee – 25 September 2006

External Auditors Annual Governance Report

Report of the Strategic Director, Resources

Recommendation

That Members of the Committee note the report and make any comments.

1. Introduction

- 1.1 For the 2002/2003 financial year onwards, our external auditors have been required to report to Members of the authority on detailed issues arising from the audit of the financial statements before issuing their final opinion. This report is in addition to the usual Audit Management Letter (Final Accounts Memorandum), which will be presented to Cabinet later this year.
- 1.2 The report from District Audit is attached at **Appendix A** and the District Auditor and their Audit Manager will attend the meeting to present the report.

DAVID CLARKE
Strategic Director, Resources

Shire Hall, Warwick
15th September 2006

Annual governance report

**Warwickshire County Council
Audit 2005/06**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Authority

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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

Copies of this report

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Purpose of this report

- 1 We are required by the Audit Commission's statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance summarising the conclusions from our audit work. For the purposes of this report, the Authority's Audit and Standards Committee is considered to fulfil the role of those charged with governance and references to the Audit and Standards Committee should be read as such.
- 2 We are also required by professional auditing standards to report to the Audit and Standards Committee certain matters before we give our opinion on the financial statements. The section of this report covering the financial statements fulfils this requirement.
- 3 This is our annual governance report covering the audit of the Authority for the year ended 31 March 2006 and is presented by the District Auditor.
- 4 The principle purposes of the report are:
 - to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Audit and Standards Committee;
 - to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
 - to provide the Audit and Standards Committee with recommendations for improvement arising from the audit process.
- 5 The Audit Commission has circulated to all audited bodies a Statement of Responsibilities of Auditors and Audited Bodies that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement.

Scope of the report

- 6 In undertaking our audit, we comply with the statutory requirements of the Audit Commission Act 1998 and the Code. Auditors' responsibilities are to review and report on, to the extent required by the relevant legislation and the requirements of the Code:
 - the Authority's financial statements; and
 - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

- 7 Our risk assessment and planned response to the key audit risks was summarised in our audit and inspection plan. A summary of our responsibilities and audit approach is included in Appendix 1. The annual governance report summarises the significant findings, conclusions and recommendations arising from our audit work. The results of our inspection work, and our separate grant claims' certification programme, will be reported in the Relationship Manager Letter later in the year.
- 8 We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 2. Appendix 3 provides information about the fee charged for our audit and Appendix 4 sets out the requirements in respect of independence and objectivity.

Key messages

Financial statements

- 9 Our work on the financial statements is now substantially complete. We anticipate being able to issue an unqualified opinion by 29 September 2006 (a draft report is attached at Appendix 5).

Use of resources

- 10 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We anticipate being able to issue an unqualified conclusion on the use of resources by 29 September 2006 (a draft report is attached at Appendix 5).

Financial statements

- 11 We are required to give an opinion on whether the Authority's financial statements present fairly:
- the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended; and
 - the financial transactions of its Pension Fund during the year ended 31 March 2006 and the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Status of the audit

- 12 Our work on the financial statements is now substantially complete.

Matters to be reported to the Audit and Standards Committee

- 13 We have the following matters to draw to the Audit and Standards Committee's attention.

Expected modifications to the auditor's report

- 14 On the basis of our audit work, subject to the satisfactory conclusion of any work outstanding reported above, we currently propose to issue an unqualified audit report. A draft audit report is attached at Appendix 5.

Uncorrected misstatements

- 15 There were no uncorrected misstatements that we need to bring to your attention.

Adjusted misstatements

- 16 To assist you in fulfilling your governance responsibilities, we are required to consider reporting adjusted misstatements to you where these are material. We therefore draw your attention to the list of material and significant misstatements that management has adjusted in Table 1 below. A complete listing of all amendments has been provided to officers.

Table 1 Adjusted misstatements in the financial statements

Details of material and/or significant adjustments made to the financial statements

Issue	Value of misstatement £	Impact on surplus/(deficit) £
FRS 17 - Pension fund deficit. Since approving the accounts it has been identified that the estimate notified to the Authority in respect of pension fund asset values is understated by approximately 2%. This stems from actual market value movements being different to that used in the actuary's estimate. This has led to the overstatement of the deficit quoted in the Consolidated Balance Sheet. This is an assessment of the asset values of the pension fund and does not consider the liabilities of the scheme. It has been agreed that rather than amend the accounts to show a different figure to that notified to the Authority, an additional disclosure note will be added to the accounts.	10,200,000	0

- 17 The Council's Statement of Accounts was produced in accordance with the agreed timetable. This was a significant achievement as the closedown was one month earlier than the previous year. 2005/06 was our first year as the authority's appointed auditors and we have worked closely with officers to achieve a smooth transition. In February 2006 we provided your accountants with a checklist of the working papers required for the audit of your Statement of Accounts. However, comprehensive working papers supporting the accounts were provided by some but not all departments at the start of the audit. Your accountants worked well with us during the course of the audit and there was generally a prompt response to queries raised. Officers and auditors will work together to further improve the final accounts process in 2006/07.

Recommendations

R1 Ensure that your Statement of Accounts is supported by a robust set of working papers from all departments.

Qualitative aspects of accounting practices and financial reporting

- 18 Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. We wish to report the following matters to you:
- The Council is required to disclose the value of its transactions with organisations and individuals deemed to be its related parties. The draft accounts stated that there were no related party transactions that needed to be declared in the accounts for 2005/06. Our audit identified a number of disclosures that were required and these have now been amended in the audited accounts.

Recommendations

R2 Improve your arrangements for identifying related party transactions.

Material weaknesses in internal control identified during the audit

- 19 Our audit did not identify material weaknesses in internal control that we need to bring to your attention. We have reported only minor issues to management.
- 20 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.

Matters specifically required by other auditing standards

- 21 Other auditing standards require us to communicate with you in other specific circumstances including:
- where we suspect or detect fraud;
 - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
 - non-compliance with legislative or regulatory requirements and related authorities.

There are no matters that we wish to bring to your attention.

Any other matters of governance interest

- 22 Finally, we are required to report any other matters that we believe to be of governance interest. We report these matters in Table 2 below.

Table 2 Other matters of governance interest

There are a number of other matters that we would like to bring to the attention of those charged with governance

Area	Auditor responsibility	Impact
Statement of internal control (SIC)	The auditor reviews the SIC for compliance with the requirements of proper practice as specified by CIPFA and consistency with other information from the audit of the financial statements.	There are no matters that we wish to bring to your attention.
Whole of Government Accounts' consolidation pack	The auditor is responsible for issuing a report on the consistency of the Authority's consolidation pack with the statutory financial statements.	This work is still in progress.
Review of Internal Audit	The auditor reviews Internal Audit to form a view of Internal Audit's compliance with the CIPFA Code of Practice and to seek a view on the level of reliance that can be placed on their work.	Our review of Internal Audit was reported in January 2006. We concluded that Internal Audit complies in most respects with CIPFA Code of Practice for Internal Audit and their work is to a standard that we can rely on to inform our conclusions.
ICT Healthcheck	The auditor assesses the general ICT controls which will impact on the major financial systems.	Whilst general ICT controls are effective in many areas there are a number of weaknesses particularly the lack of strategic ICT planning at the corporate level.

Letter of representation

- 23** We obtain written representations from management as an acknowledgement of its responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. The text of the required letter of representation is included at Appendix 6.

Next steps

- 24** We are drawing these matters to the Audit and Standards Committee's attention so that:
- you can consider them before the financial statements are approved and certified; and
 - the representation letter can be signed on behalf of the Authority and those charged with governance before we issue our opinion on the financial statements.
- .

Use of resources

Value for money conclusion

- 25 The Code requires us to reach a conclusion on whether we are satisfied that the Authority has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion). In meeting this responsibility, we will review evidence that is relevant to the Authority's corporate performance management and financial management arrangements. Our work in reaching the value for money conclusion is integrated with our work on the use of resources assessment. The use of resources assessment is a qualitative assessment of the effectiveness of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. The five areas we make assessments on are; financial statements, financial management, financial standing, internal control and value for money.
- 26 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We anticipate being able to issue an unqualified conclusion on the use of resources by 29 September 2006 (a draft report is attached at Appendix 5)
- 27 The key findings from our work on the use of resources criteria are summarised below.

Strategic objectives

- 28 The council has clear strengths in this area and is building on a positive corporate assessment outcome by delivering further improvements. The implementing of plans in relation to the supporting people programme has recently been identified as a weakness. This is considered to be an isolated but significant failing at this stage; and not symptomatic of a more general problem in the implementation of objectives.

Recommendations

R3 The Council should closely monitor the progress being made against the supporting people improvement plans.

Consultation

- 29 Consultation was identified as a strength in the corporate assessment. There is a robust framework for consultation and clear mechanisms such as a consultation working group, a database to share all consultation data and a well established citizens' panel. This has led to good level of knowledge of communities. Satisfaction surveys are carried out every year instead of the usual three years, required for Best Value surveys and a new post has been introduced to support liaison with hard to reach and minority groups. Plans are clearly influenced by views of communities for example the corporate strategy includes the main findings from consultation and there are objectives related to these findings such as to reduce bullying in schools.

Performance management

- 30 Performance management was recognised as a strength in the corporate assessment and a comprehensive range of mechanisms are in place. Systems have improved since CPA. The composite report is seen as good practice, combining progress on key BVPIs, progress on corporate objectives and satisfaction data. This is now produced quarterly instead of six monthly. Despite these strengths some underperformance and risks have still emerged. These include poor performance in relation to the council's duty to support people, the management of the highways maintenance contract and weaknesses in the management of customer services centre. The later two issues were identified by internal audit work and all three are being addressed. These issues point to some weaknesses in performance management at service level rather than at corporate level.

Recommendations

R4 Develop and implement performance management systems that ensure that deteriorating performance at service delivery level is identified quickly at corporate level and corrected at an early stage.

Data quality

- 31 Our data quality work concluded that whilst arrangements were adequate, met minimum standards, and there was some good practice, there were some inconsistencies evident in all main criteria examined. The following issues were identified:
- arrangements for ensuring data quality varied across directorates
 - data quality policy is draft and there is no implementation plan
 - procedure and guidance notes are not complete.

Recommendations

R5 The Council should ensure that arrangements for ensuring data quality are more consistent across directorates.

Internal control

- 32 Our Use of Resources work concluded that overall arrangements for internal control are consistently above minimum requirements. Recommendations related to a review of standing orders, instructions, scheme of delegation and strengthening the audit committee are being addressed.

Risk management

- 33 Our Use of Resources work concluded that overall arrangements for managing risk are consistently above minimum requirements. Quarterly reporting to members of progress on addressing risk mitigation is now established. This is in line with our recommendation. Single status job evaluation has been identified as a corporate risk. Resources and plans are in place and this work is now progressing.

Improving value for money

- 34 Our Use of Resources work concluded that overall arrangements for improving value for money are consistently above minimum requirements. Recommendations made following this work are being implemented.

Financial strategy

- 35 Our Use of Resources work concluded that the council's medium-term financial strategy and budgets are soundly based and designed to deliver its strategic priorities and that overall arrangements are consistently above minimum requirements.

Budget setting and monitoring

- 36 Our Use of Resources work concluded that overall arrangements for managing performance against budgets are consistently above minimum requirements.
- 37 The final revenue outturn for 2005/06 was an underspend of £9.2m against the latest approved budget of which Education accounted for £5.4m. Of this £5.4m, £1.6m relates to the Standards Fund Grant where the spending period extends to August 2006. A further £2.1m represents the underspend on ring fenced delegated schools budgets. Taking these into account the apparent underspend on Education is £1.7m.

- 38 During the year revenue reserves have increased from £37.1m to £37.7m. Of this balance £29.5m is earmarked for specific purposes such as reserves held by schools that manage their own budgets £10.7m, insurance reserve £8.9m, money set aside by service departments £8.6m and capital fund £1.3m. The Council has a general reserve of £8.2m of which £2.2m is planned to be used in 2006/07. This will leave a general fund balance of £6.0m at 31 March 2007 representing only 1% of net revenue expenditure. Based on the Strategic Director of Resources risk assessment this is the minimum level of general reserves that is prudent to retain.
- 39 In 2005/06 the Council's spend on capital schemes was £64.1m. There has been slippage in the capital programme of £14.3m or 18% of the original capital budget. Management intend to spend this £14.3m in 2006/07.
- 40 In common with many other authorities the Council has a Pension Fund deficit. The deficit as at 31 March 2006 was £375.2m compared with £340m for the previous year. The deficit is being addressed through additional contributions. This is a long term issue and the situation will need continuing monitoring.

Recommendations

R6 The Council should:

- closely monitor the measures being taken to minimise future slippages in the capital programme.
- continue to regularly review over the long term the financial position of the pension fund.

Asset management

- 41 The council meets all of the criteria for the asset management component of the use of resources assessment. There are no significant areas of weakness. Resourcing and reducing the backlog of maintenance for property which currently stands at £120m, is still a challenge for the council, but the most urgent category has now been eliminated.

Probity

- 42 Our Use of Resources work concluded that overall arrangements for promoting and ensuring probity and propriety in the conduct of its business are consistently above minimum requirements. The recommendation relating to whistle blowing policy being communicated to contractors is being addressed.

Use of auditors' statutory powers

- 43 Auditors are required to consider the exercise of certain statutory powers during the course of the audit, as summarised in Table 3 below.

Table 3 Use of statutory powers

We have not used our statutory powers in 2005/06

Issue	Auditor responsibility	Impact
Section 8 reports	Section 8 of the Act requires that auditors should consider whether, in the public interest, they should report on any matter that comes to their attention in the course of the audit so that it may be considered by the body concerned or brought to the attention of the public.	There have been no section 8 reports in respect of the financial year 2005/2006.
Section 11 recommendations	To consider whether a written recommendation should be made to the audited body requiring it to be considered and responded to publicly.	There have been no section 11 recommendations.
Best value	To consider whether to recommend that the Audit Commission should carry out a best value inspection of the Authority under section 10 of the Local Government Act 1999 and/or that the Secretary of State should give a direction under section 15 of that Act.	Our work in respect of the Authority's 2005/2006 Best Value Performance Plan (BVPP) was reported in October 2005. No recommendations were made to the Audit Commission or the Secretary of State.

Closing remarks

- 44 This report has been discussed and agreed with senior officers. A copy of this report will be presented at the Audit and Standards Committee on 25 September 2006.
- 45 The report makes a number of recommendations. An action plan is included at Appendix 7, which includes responses from management and indicative target dates for the implementation of recommendations.
- 46 The Authority has taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for the Authority's assistance and co-operation.

John Cotterill
District Auditor

September 2006

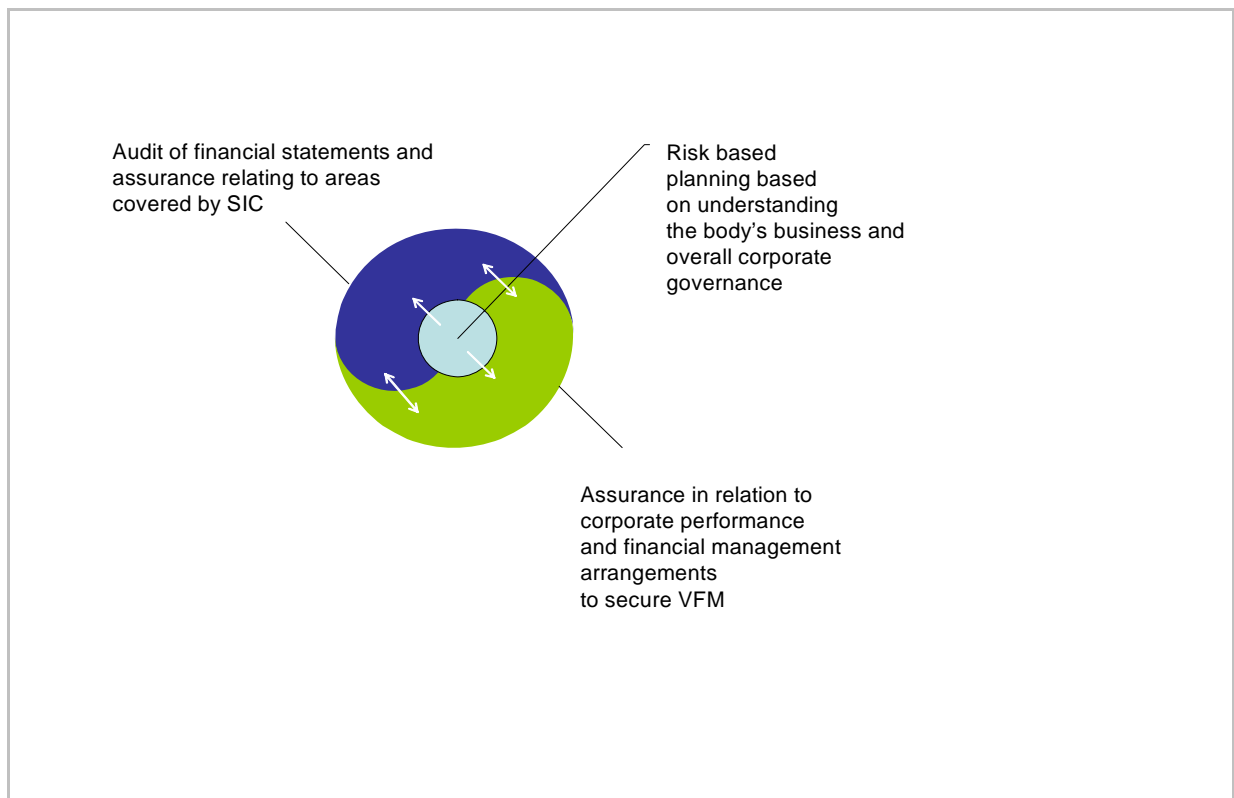
Appendix 1 – Audit responsibilities and approach

Audit objectives

- 1 Our objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on the significant risks that are relevant to our audit responsibilities.

Figure 1 Code of Audit Practice

Code of practice responsibilities



Approach to the audit of the financial statements

- 2 In our approach to auditing the financial statements, we adopt a concept of materiality. Material errors are those which might be misleading to a reader of the financial statements. We seek, in planning and conducting our audit of the accounts, to provide reasonable assurance that your financial statements are free of material misstatement. In planning our work we considered the arrangements of the Authority which had most impact on our opinion. These included:
 - the standard of the overall control environment and internal controls;
 - reliance on internal audit;
 - the likelihood of material misstatement occurring from of material information systems; or a material error failing to be detected by internal controls;
 - any changes in financial reporting requirements; and
 - the effectiveness of procedures for producing the financial statements and supporting material.
- 3 The results of the above feed into our risk assessment which determines the level and type of testing undertaken on each element of the financial statements. The keys risks that we identified include:
 - Payroll expenditure; and
 - Highways maintenance contract.

Approach to audit of arrangements to secure value for money

- 4 The scope of these arrangements is defined in paragraph 20 of the Code as comprising:
 - corporate performance management; and
 - financial management arrangements.
- 5 Our conclusion is informed and limited by reference to relevant criteria covering specific aspects of audited bodies' arrangements, specified by the Code.

- 6 In planning audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, considered and assessed relevant significant business risk. Significance is defined by the Code as 'a matter of professional judgment and includes both quantitative and qualitative aspects of the risk'.
- 7 The potential sources of assurance when reaching the value for money conclusion include:
 - the Authority's whole system of internal control as reported in its statement on internal control;
 - results from statutory inspections or the work of other regulators, for example, corporate assessments, service assessments (whether by the Commission or other regulators), etc.;
 - work specified by the Audit Commission, for example, the use of resources assessments, and data quality work;
 - links to the financial statements' audit, including review of internal audit, the SIC and budgetary control arrangements; and
 - other work necessary to discharge our responsibilities.

Appendix 2 – 2005/06 Audit reports issued

Table 4

Planned output	Actual date of issue	Planned date of issue	Addressee
Audit and inspection plan	June 2005		The Authority
Interim audit memorandum		September 2006	Management
Annual governance report	September 2006		Audit and Standards Committee
Opinion on financial statements		September 2006	The Authority
Value for money conclusion		September 2006	The Authority
Final accounts memorandum		October 2006	Management
Use of resources assessments	November 2005		Management
BVPP opinion	October 2005		The Authority
Best Value Performance report	November 2005		Management
ICT Healthcheck		September 2006	Management
Review of Internal Audit	January 2006		Management

Appendix 3 – Fee information

Table 5

Fee estimate	Plan 2005/06 £	Actual 2005/06 £
Accounts	126,300	126,300
Use of resources	47,900	47,900
Total audit fees*	174,200	174,200
Voluntary improvement work	0	0

* The outturn on inspection and grant certification fees will be reported in the Relationship Manager Letter

Appendix 4 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required by the standard to communicate the following matters to the Audit and Standards Committee:
 - the principal threats, if any to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
 - any safeguards adopted and the reasons why they are considered to be effective;
 - any independent partner review;
 - the overall assessment of threats and safeguards; and
 - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards.

Appendix 5 – Independent auditor's report to Warwickshire County Council

Opinion on the financial statements

I have audited the financial statements and pension fund accounts of Warwickshire County Council for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise the Consolidated Revenue Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement, and the related notes. The financial statements and pension fund accounts have been prepared under the accounting policies set out within them.

This report is made solely to Warwickshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements and the pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the statement on internal control reflects compliance with CIPFA's guidance, 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Strategic Director's introduction. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended; and

- The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial transactions of the Pension Fund during the year ended 31 March 2006, and the amount and disposition of the fund's assets and liabilities as at 31 March 2006, other than liabilities to pay pensions and other benefits after the end of the scheme year.

John Cotterill
2nd Floor
1 Friarsgate
1011 Stratford Road
Solihull
West Midlands
B90 4EB

Date

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Warwickshire County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 in October 2005. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Cotterill
2nd Floor
1 Friarsgate
1011 Stratford Road
Solihull
West Midlands
B90 4EB

Date

Appendix 6 – Letter of representation

To: John Cotterill
The Audit Commission
2nd Floor
1 Friarsgate
1011 Stratford Road
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Warwickshire County Council - Audit for the year ended 31 March 2006

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Warwickshire County Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2006.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which present fairly and for making accurate representations to you.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all members meetings, have been made available to you.

Related party transactions

I confirm the completeness of the information provided regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and,

- there are no material commitments or contractual issues, other than those already disclosed in the financial statements;
- no financial guarantees have been given to third parties.

Law, regulations and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements;
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by Members of the council, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

Signed on behalf of Warwickshire County Council

Signed

Name

Position

Date

Signed

Name

Position

Date

Appendix 7 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R1 Ensure that your Statement of Accounts are supported by a robust set of working papers from all departments	3	Group Accountant, Financial Accounting Team Resources Directorate	Yes	As part of the preparation for the 2006/7 closedown a full review of the instructions issued to directorates will be carried out. This will include lessons learnt from the 2005/6 closedown as well as best practice from other Local Authorities	31 st March 07
9	R2 Improve your arrangements for identifying related party transactions	3	Group Accountant, Financial Accounting Team Resources Directorate	Yes	Systems will be improved to enable a more efficient identification of payments made to voluntary organisations	31 st March 07
12	R3 The Council should closely monitor the progress being made against the	3	Strategic Director of Adult Health and Community	Yes	Audit Commission recommendations reported to AH&C Overview & Scrutiny Committee on 17th August. Plan now in place and progress will be reported back	31 st March 07

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	supporting people improvement plans		Services		monthly to Committee.	
13	R4 Develop and implement performance management systems that ensure that deteriorating performance at service delivery level is identified quickly at corporate level and corrected at an early stage	3	Head of Change Management Performance & Development Directorate	Yes	The Council is reviewing its performance management framework and moving to a performance scorecard approach. The council is rolling out its new performance management system <i>performance plus</i> across all directorates; introducing quarterly performance reporting and has also signed up to the County Councils' Benchmarking Club which will allow early identification of performance lag and the timescale within which to take remedial action. With effect from Dec 2006 and complete by April 2007.	30 th April 07
14	R5 The Council should ensure that arrangements for ensuring data quality are more consistent across directorates	2	Head of Change Management Performance & Development Directorate	Yes	Through implementation of the Council's revised performance management framework, more stringent and robust standards for the collation and use of data will ensure significantly higher levels of quality. Improvements to the accuracy and appropriateness of target setting are also required and will be achieved.	31 st March 07

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
15	R6 The Council should: <ul style="list-style-type: none"> • closely monitor the measures being taken to minimise future slippages in the capital programme. • continue to regularly review over the long term the financial position of the pension fund 	3	Head of Finance Resources Directorate	Yes	<ul style="list-style-type: none"> • The council will continue to closely monitor progress of the capital programme. • The council will continue to commission a mid triennial valuation of the pension fund 	Ongoing Ongoing