

Other Bodies/Individuals

FINAL DECISION

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by
this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Audit & Standards Committee - 16th June 2008.

**Opinion Audit Plan 2007/2008 and Audit and Inspection
Plan 2008/2009**

Report of the Strategic Director, Resources

Recommendation

To consider the Opinion Audit Plan 2007/2008 and Audit and Inspection Plan 2008/2009 and raise any comments with the Audit Commission.

1. Introduction

- 1.1 On 4th June 2007 representatives of the Audit Commission attended the Audit & Standards Committee and presented the Annual Audit and Inspection Plan 2007/2008. At that time the Audit Commission were not able to detail the risks that they need to consider as part of their audit opinion work. The attached report, **Appendix A**, from the Audit Commission provides this information regarding risk.
- 1.2 Also attached, at **Appendix B**, is a copy of the Audit and Inspection Plan 2008/2009 which sets out the Audit Commission's proposed work schedule for the financial year 2008/2009.
- 1.3 Representatives from the Audit Commission will attend the meeting to take the Committee through the papers and answer any questions.

DAVID CLARKE
Strategic Director, Resources

Shire Hall
Warwick

Audit Summary Report

February 2008

Opinion Audit Plan

Warwickshire County Council

Audit 2007-2008

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

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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Introduction

- 1 We issued the initial audit plan for 2007/08 on 17 May 2007 which set out the work that we proposed in order to satisfy our responsibilities under the Audit Commission's Code of Audit Practice. We are required by professional auditing standards to specify the detailed risks that we need to consider as part of our opinion work. As the initial audit plan was produced at the start of the financial year for fee purposes, it was not possible to specify these risks. We are now in a position to do this as the opinion work is about to commence. We are required to:
 - identify the risk of material misstatements in your accounts;
 - plan audit procedures to address these risks; and
 - ensure that the audit complies with all relevant auditing standards.
- 2 We have therefore set out below our approach to identifying opinion audit risks and considered the additional risks that are appropriate to the current opinion audit.

Identifying opinion audit risks

Council level risks

- 3 As part of the audit risk identification process we need to understand the audited body to identify any risks of material misstatement (whether due to fraud or error) in the financial statements. We do this by:
 - establishing the nature of the council's activities;
 - identifying the business risks facing the council, including assessing the council's own risk management arrangements;
 - considering the financial performance of the council; and
 - assessing internal control - including reviewing the control environment, the IT control environment, and internal audit.

Information system risks

- 4 To comply with ISA (UK & I) 315 we need to assess the risk of material misstatement arising from the activities and controls within the information systems. To be able to assess these risks we need to understand the material systems and document that understanding.

- 5 Material systems are those systems which produce material figures in the annual financial statements. We have identified that the council has 12 material systems. For these systems we need to demonstrate our understanding by documenting the following.
- How transactions are initiated, recorded, processed and reported in the financial statements.
 - The accounting records relevant to the transactions.
 - How the council identifies and captures events and conditions which are material to the financial statements eg depreciation.
 - The financial reporting process used to prepare the financial statements.

Assertions

- 6 When considering the risks of material misstatement we consider what the Strategic Director of Resources is stating when he signs the financial statements. An audited body's management are responsible for the preparation and presentation of financial statements which fairly reflect the nature and activity of the entity for the period. In doing so, management are making statements regarding the recognition, measurement, presentation and disclosures of various elements of the financial statements and related disclosures.
- 7 These representations from management are referred to as assertions about financial statements in ISA (UK & I) 500. The ISA states that we have to ascertain that the financial statements are free from material misstatement at the assertion level. The standard splits out the assertions and considers the differing assertions for:
- revenue accounts items;
 - balance sheet items; and
 - disclosures and presentation elements of the financial statements.

- 8 The following table details the relevant assertions for these three categorisations, showing which assertions we need to consider by area of the financial statements.

Table 1 Assertions

Assertions that will be considered by area of financial statements.

Means	Revenue	Balance sheet	Disclosure
Is it recorded at the right amount and are the details right?	Accuracy		Accuracy
Is it in the right place in the accounts?	Classification		Classification
Is it all there?	Completeness	Completeness	Completeness
Is it in the right year?	Cut-off		
Is it real, does it exist?		Existence	
Has it happened?	Occurrence		Occurrence
Does it belong to the body? Are they entitled to use it?		Rights and obligations	Rights and obligations
Is it worth it?		Valuation and allocation	Valuation and allocation

Identification of specific risks

- 9 We have considered the additional risks that are appropriate to the current opinion audit and have set these out below.

Table 2 Specific risks

Specific opinion risks identified.

Risk area	Assertions	Audit response
Accounting for equal pay settlements	All	We will test the accounting disclosures for the funding of the equal pay settlements.
Accounting requirements of 2007 SORP.	All	We will test to ensure the disclosures in the accounts are SORP compliant.
Pension Fund – there were three material errors in the 2006/7 accounts relating to cash, interest income and classification of investments.	All	We will carry out detailed testing of the Pension Fund, placing reliance, where appropriate on Internal Audit work.
Payroll - new transactional processing unit.	All	We will carry out detailed testing of the payroll, placing reliance, where appropriate on Internal Audit work.

Testing strategy

- 10 On the basis of risks identified above we will produce a testing strategy which will consist of testing of key controls and/or substantive tests of transaction streams and material account balances at year-end.
- 11 Our testing can be carried out both before and after the draft financial statements have been produced (pre and post statement testing).

- 12 It may be possible to complete some substantive testing earlier in the year before the financial statements are drafted. We have identified the following areas where substantive testing could be carried out early.
- Review of disclosure and accounting policies.
 - Related party transactions.
 - Bank reconciliation.
 - Fixed Assets – confirmation of ownership and existence.
 - Firefighters' Pension Fund.
 - Year-end feeder system reconciliations.
- 13 Where other early testing is identified as being possible this will be discussed with officers.

Key milestones and deadlines

- 14 The Council is required to prepare the financial statements and arrange for them to be approved by 30 June 2008. We are required to complete our audit and issue our opinion by 30 September 2008. The key stages in the process of producing and auditing the financial statements are shown in Table 3.
- 15 We will agree with you a schedule of working papers required to support the entries in the financial statements.
- 16 Every week, we will meet with the key contact and review the status of all queries. If appropriate, we will meet at a different frequency depending upon the need and the number of issues arising.

Table 3 Proposed timetable

Task	Deadline
Early substantive testing	May/June 2008
Forwarding of Pension Fund working papers to the auditor	19 May 2008
Start audit of Pension Fund	19 May 2008
Approval of accounts	By 30 June 2008
Forwarding of main audit working papers to the auditor	1 July 2008
Start of detailed testing	1 July 2008

Task	Deadline
Progress meetings	Weekly/Fortnightly
Present report to those charged with governance to the Audit and Standards Committee	by 30 September 2008
Issue of opinion	by 30 September 2008

Audit fees

- 17 In my original audit plan, the estimated fee for the opinion audit was based on my best estimate at the time and agreed at £150,173. Having considered the above risks I remain satisfied that the original estimate was entirely appropriate and no adjustment is therefore required to the fee.

Audit and Inspection Plan

June 2008

Audit & Inspection Plan

Warwickshire County Council

Audit 2008-2009

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4 Audit & Inspection Plan | Contents

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Introduction

- 1 This plan sets out the audit and inspection work that we propose to undertake for the 2008/09 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of moving towards Comprehensive Area Assessment (CAA). It reflects:
 - audit and inspection work specified by the Audit Commission for 2008/09;
 - current national risks relevant to your local circumstances; and
 - your local risks and improvement priorities.
- 2 During 2008/09, the role of Relationship Manager will be replaced by the post of Comprehensive Area Assessment Lead (CAAL). The CAAL will provide the focal point for the Commission's work in your local area, lead the CAA process, and ensure that the combined inspection programme across all inspectorates is tailored to the level and nature of risk for the area and its constituent public bodies. The Commission has become the statutory gatekeeper of all inspection activity involving local authorities.
- 3 As I have not yet completed my audit for 2007/08, the audit planning process for 2008/09, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

Responsibilities

- 4 The Audit Commission comply with the statutory requirements governing our audit and inspection work, in particular:
 - the Audit Commission Act 1998;
 - the Local Government Act 1999;
 - the Fire and Rescue Services Act 2004; and
 - the Code of Audit Practice.
- 5 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
 - the financial statements (including the annual governance statement); and
 - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 6 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies (from April 2008) sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.
- 7 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and audit work is undertaken in the context of these responsibilities.

Fees

- 8 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2008/09. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 9 The total indicative fee for the audit and inspection work included in this audit and inspection plan for 2008/09 is for £351,636, which compares to the planned fee of £249,167 for 2007/08.
- 10 A summary of this is shown in the table below. The fee is determined by audit risks identified, mandated work and basic assumptions. A detailed breakdown of the audit and inspection fee is included in Appendix 2.

Table 1 Audit and Inspection fee

Audit area	Planned fee 2008/09	Planned fee 2007/08
Audit (excluding Pension Fund)	218,656	234,417
Audit (Pension Fund)	48,000	
Total audit fee	266,656	234,417
Total inspection fee	84,980	14,750
Certification of claims and returns	24,700	45,000

- 11 The Audit Commission scale fee for Warwickshire County Council is £207,720 (excluding Pension Fund and inspection fee). The fee proposed for 2008/09 is +5 per cent compared to the scale fee and is within the normal level of variation specified by the Commission.
- 12 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2007/08; and
 - internal audit undertakes appropriate work on all systems; and
 - good quality working papers and records will be provided to support the pension fund financial statements by 18 May 2009 and the County financial statements 1 July 2009.

Further details of the assumptions are outlined in Appendix 2.

- 13 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.
- 14 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Council. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.
- 15 The major variances between the planned fee for 2008/09 and the planned fee for 2007/08 are:
 - a corporate assessment will take place during the year and this has increased the inspection fee;
 - a separate audit of the pension fund scheme will be carried out. This has resulted in an overall net increase in fees;
 - the expanded Use of Resources assessment has resulted in an increased fee;
 - the introduction of new work on data quality at fire and rescue authorities has increased the fee; and
 - the estimated fee for the certification of claims and returns has fallen because we are expecting to audit fewer claims in 2008/09.

Specific actions Warwickshire County Council could take to reduce its audit fees

- 16 The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit fees. I have identified the following actions Warwickshire County Council could take:
 - Make further improvements to your arrangements for grant claim preparation.

Process for agreeing any changes in audit fees

- 17 As set out in paragraph 3, I expect that the initial risk assessment may change as the year progress. Where this is the case, I will discuss this in the first instance with the Strategic Director of Resources. Supplements to the plan will be issued to record revisions to the risk and the impact on the fee.

Auditor's report on the financial statements

- 18 I am required to issue an audit report giving my:
- opinion on whether the financial statements present fairly the financial position of the Council as at 31 March 2009; and
 - conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial statements

- 19 I have not undertaken a risk assessment for the audit of the financial statements as many of the specific risks which may become apparent after I have completed the 2007/08 audit. A separate opinion plan for the audit for the financial statements will be issued in December 2008. This year we will carry out a detailed review of Internal Audit to ensure continued compliance with appropriate professional standards.

Pension fund

- 20 I am carrying out a separate audit of the pension fund scheme. A separate report will be issued to those charged with governance. A detailed opinion plan will be issued in December 2008.

VFM conclusion

- 21 In reaching my conclusion I will review evidence that is relevant to the Council's performance management and financial management arrangements.
- 22 The key risks highlighted from the planning are summarised in the table below with details of planned work to mitigate the risks. Full details of the risk assessment are outlined in Appendix 3.

Table 2 Key risks identified

Key risks identified	Planned work to address the risk
Equal pay claims	We will review arrangements for funding single status claims for backpay
Waste PFI	On-going monitoring of progress with the Waste PFI.

Use of resources 2008/09

- 23 The Audit Commission has specified that auditors will complete a use of resources assessment for 2008/09. This will be a new assessment forming part of the CAA framework for 2009.
- 24 The Commission proposes that the approach to the new use of resources assessment will be focussed on three themes with the detailed Key Lines of Enquiry to be confirmed. For each of the significant risks identified in relation to the use of resources work, I consider the arrangements put in place by the Council to mitigate the risk, and plan the work accordingly.
- 25 The initial risk assessment for use of resources work is shown in Appendix 3. This will be updated through the continuous planning process as the year progresses.

Mandated work

26 As part of the audit, the mandated work programme comprises:

- data quality; and
- whole of government accounts.

CPA and inspection

- 27 From April 2009, the Audit Commission, jointly with the other public service inspectorates, will be implementing Comprehensive Area Assessment (CAA). Therefore, 2008/09 is the last year in which corporate assessments and programme service inspections will be undertaken as part of the CPA framework.
- 28 The Audit Commission's CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.
- 29 The Council's CPA category is, therefore, a key driver in the Commission's inspection planning process. For CPA 2007, the Council was categorised as three stars.
- 30 I have applied the principles set out in the CPA framework, '*CPA - The Harder Test*', recognising the key strengths and areas for improvement in the Council's performance.
- 31 Strengths in the Council's performance include:
- Use of Resources - the Council is performing strongly in its use of resources and overall delivers good value for money across most of its services.
 - Education attainment - this is above the national average with good progress with reducing inequalities in attainment and improving outcomes for vulnerable children.
 - Sustainable environment - good progress is being made by the Council.
- 32 Areas for improvement in the Council's performance include:
- Ensuring that the improvements made in adult social care, including supporting people, are continued and have an impact on outcomes for service users.
 - Fire and Rescue Service - at the appropriate time, and taking account of the outcomes of the current investigations into the recent tragic events, the Council should address the changes needed to continue to improve the Fire and Rescue Service.
- 33 On the basis of the planning process I have identified where inspection activity will be focused for 2008/09 as follows.

Table 3 Summary of inspection activity

Inspection activity	Reason/impact
Relationship Manager RM/CAALrole	To act as the Commission's primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Direction of Travel (DoT) assessment	An annual assessment, carried out by the RM, of how well the Council is securing continuous improvement. The DoT statement will be reported in the Annual Audit and Inspection Letter. The DoT assessment summary will be published on the Commission's website.
Corporate assessment	We will carry out a corporate assessment in line with the processes set out in ' <i>CPA- The Harder Test</i> '.

34 As a County Council Fire and Rescue Authority, the Commission will also be undertaking the following inspection activity:

- Relationship Manager/CAAL role;
- Direction of Travel statement; and
- service assessment.

Advice and assistance

- 35 Under paragraph 9 of Schedule 2A of the Audit Commission Act 1998 we have powers to provide 'advice and assistance' (A&A) to another public body where this is requested.
- 36 If you wish the Commission to provide additional services under these powers, please contact Dorothy Welsh.

The audit and inspection team

- 37 The key members of the audit and inspection team for the 2008/09 audit are shown in the table below.

Table 4 Audit and inspection team

Name	Contact details	Responsibilities
Dave Rigg Relationship Manager & District Auditor	d-rigg@audit-commission.gov.uk 0844 7981105	The primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders. Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and Audit & Standards Committee.
Tony Parks Audit Manager	t-parks@audit-commission.gov.uk 02476 834883	Manages and coordinates the different elements of the audit work. Key point of contact for the Strategic Director of Resources.

Quality of service

- 38 I am committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact the Central Head of Operations, Phil Jones.
- 39 If I am unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website or on request.

Planned outputs

- 40 Reports will be discussed and agreed with the appropriate officers before being issued to the Audit & Standards Committee.

Table 5 **Planned outputs**

Planned output	Indicative date
Corporate assessment	17 September 2008
County Opinion Audit Plan	31 December 2008
Pension Fund Opinion Audit Plan	31 December 2008
Review of Internal Audit	31 January 2009
Interim audit memorandum	30 June 2009
County Annual governance report	30 September 2009
Pension Fund Annual governance report	30 September 2009
Auditor's report giving an opinion on the financial statements	30 September 2009
Use of resources report	30 October 2009
Final accounts memorandum	30 November 2009
Annual Audit and Inspection Letter	TBC

Appendix 1 – Elements of our work

Financial statements

- 1 I will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 2 I am required to issue an opinion on whether 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 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year.
- 3 I am also required to review whether the Annual Governance Statement has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the Annual Governance Statement is misleading or inconsistent with our knowledge of the Council.

Value for money conclusion

- 4 The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires me to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at my conclusion.
- 5 In meeting this responsibility, I will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators, we will normally place reliance on their reported results to inform our work.
- 6 I will also follow up audit work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment 2008/09

- 7 The Commission has now consulted on its proposals for the 2008/09 Use of Resources assessment. It proposes that the work required to arrive at the 2008/09 use of resources assessment is fully aligned with that required to arrive at the auditor's 2008/09 value for money conclusion.
- 8 The Commission proposes that the assessment will be based upon the evidence from three themes:
 - Managing money;
 - Managing the business; and

- Managing other resources.
- 9 The Commission proposes that Data Quality will become an element of the Use of Resources framework from 2008/09.

Whole of government accounts

- 10 I will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office.

National Fraud Initiative

- 11 From 2008/09 work relating to the National Fraud Initiative will be carried out directly by the Commission under its new data matching powers under the Serious Crime Act 2007. The Commission will be consulting audited bodies on the work programme and fee scales for the National Fraud Initiative later this year.

Certification of grant claims and returns

- 12 I will continue to certify the Council's claims and returns on the following basis:
- claims below £100,000 will not be subject to certification;
 - claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification; and
 - claims over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.

Appendix 2 – Basis for fee

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is coordinated with the work of other regulators, and that our work helps you to improve.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:
 - our cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - interviews with Council officers;
 - liaison with internal audit; and
 - the results of other review agencies' work where relevant.

Assumptions

- 3 In setting the fee, I have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2007/08;
 - you will inform us of significant developments impacting on the audit;
 - internal audit meets the appropriate professional standards;
 - internal audit undertakes appropriate work on all systems that provide material figures in the financial statements by 31 December 2008 sufficient that we can place reliance for the purposes of our audit;
 - good quality working papers and records will be provided to support the pension fund financial statements by 18 May 2009 and the County financial statements 1 July 2009;
 - requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the opinion audit plan.
- 5 Changes to the plan will be agreed with you. These may be required if:

- new residual audit risks emerge;
- additional work is required by the Audit Commission or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

- 6 Below is a detailed breakdown of the audit and inspection fee for 2008/09.
- 7 The fee (plus VAT) will be charged in 12 equal instalments from April 2008 to March 2009.

Table 6 Detailed audit and inspection fee

Audit area	Planned fee 2008/09	Planned fee 2007/08	Page
Audit (excluding the Pension Fund)			
Financial statements	122,943	150,173	9, 17
Use of resources	64,681	57,580	10, 17
Data quality	27,346	21,585	11
Whole of government accounts	3,686	3,529	11, 18
National Fraud Initiative	0	1,550	18
Audit of the Pension Fund	48,000	0	9
Total audit fee	266,656	234,417	
Inspection			
Relationship management	7,465	7,375	13
Direction of Travel	7,465	7,375	13
Service inspection	0	0	
Corporate inspection	70,050	0	13
Total inspection fee	84,980	14,750	
Total audit and inspection fee	351,636	249,167	
Certification of claims and returns	24,700	45,000	18

Appendix 3 – Initial risk assessment – Use of resources and VFM conclusion

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
Equal pay claims	The Council has plans in place for the funding of equal pay claims.	Yes	We will review arrangements for funding single status claims for backpay.	The Council has put in place arrangements to ensure that its spending matches its available resources.
Waste PFI	The Council is working in partnership with other authorities and is considering the various options available.	Yes	On-going monitoring of progress with the Waste PFI.	The Council has put in place arrangements to ensure that its spending matches its available resources. The Council has put in place arrangements to maintain a sound system of internal control. The Council has put in place arrangements to manage and improve value for money.
Slippage in the capital programme and financial pressures for the revenue budget.	There are regular reports to Members on progress with the expected revenue and capital outturn.	Yes	On-going monitoring of the revenue budget and capital outturn.	The Council has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities. The Council has put in place arrangements to ensure that its spending matches its available resources.

22 Audit & Inspection Plan | Appendix 3 – Initial risk assessment – Use of resources and VFM conclusion

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
Caring for older people	Included in the Council's risk register. Restructuring of services and senior management to deliver the Agenda. Targets set for improvement and monitoring through the Directorate’s Performance Improvement Board.	Yes	Cross cutting review continuing care with the PCT.	The Council has put in place arrangements to manage its significant business risks. The Council has put in place arrangements to manage and improve value for money.

Appendix 4 – Independence and objectivity

- 1 I am not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 2 I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.
- 3 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 4 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 5 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 6 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit and Standards Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 7 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.
- 8 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.

- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.
- Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
- The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
- The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

Appendix 5 – Working together

Meetings

- 1 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.
- 2 Our proposal for the meetings is as follows.

Table 7 Proposed meetings with officers

Council officers	Audit Commission staff	Timing	Purpose
Chief Executive Strategic Director of Resources Strategic Director of Performance and Development Head of Change Management	District Auditor (DA) Audit Manager (AM)	March, May, July, September, and December.	General update
Directors	District Auditor (DA) Audit Manager (AM)	Quarterly	General update
Accountants	AM and Team Leader (TL)	Monthly (weekly during audit of accounts)	Update on audit and opinion issues
Audit Services Manager	AM and TL	Quarterly	Update on audit progress and issues
Audit & Standards Committee	DA and AM	Quarterly	Formal reporting of: <ul style="list-style-type: none"> • Audit and Inspection Plan; • annual governance report; • Annual Audit and Inspection Letter; and • other issues as appropriate.

Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
 - reducing paper flow by encouraging you to submit documentation and working papers electronically;
 - use of video and telephone conferencing for meetings as appropriate; and
 - reducing travel.

Annual Audit and Inspection Letter

Warwickshire County Council

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.
- 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, 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

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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Key messages

- 1 Warwickshire County Council has continued its high levels of performance in the last 12 months. The Audit Commission's Comprehensive Performance Assessment for 2007 resulted in the Council retaining its three-star status and it has been classified as 'improving well' in the Direction of Travel assessment.
- 2 The Council has delivered improving outcomes in its three priority areas together with good improvement across services. Investment in modernising adult services is still at a relatively early stage but is delivering better support services and more choice for older people. The prospects for improvement are now 'promising', reflecting a clear vision, strong leadership and increased capacity.
- 3 The Council's administration of the Supporting People programme was assessed as 'fair' with 'promising prospects for improvement' following a re-inspection which found that a number of the previously identified weaknesses had been addressed.
- 4 Education attainment is above the national average with good progress with reducing inequalities in attainment and improving outcomes for vulnerable children.
- 5 Good progress is being made by the Council in pursuing a sustainable environment but it is not yet clear what impact this is having in delivering its carbon emissions target.
- 6 The Council is performing strongly in its use of resources and overall delivers good value for money across most of its services.
- 7 Understandably the Council has deferred any changes in the Fire and Rescue Service due to the recent tragic events and the volume of investigations that inevitably followed. Overall the fire and rescue service was assessed as 'improving adequately' but further changes may be needed in the future if the service is to continue to improve.

Action needed by the Council

- 8 We recommend that the Council take the following actions.
 - Ensure that the improvements made in adult social care, including supporting people, are continued and have an impact on outcomes for service users.
 - At the appropriate time, and taking account of the outcomes of the current investigations into the recent tragic events, the Council should address the changes needed to continue to improve the Fire and Rescue Service.
- 9 We have issued several reports during the year and we are satisfied that your officers are taking action to implement the recommendations contained in those documents. The Council may wish to monitor the progress made in implementing those recommendations.

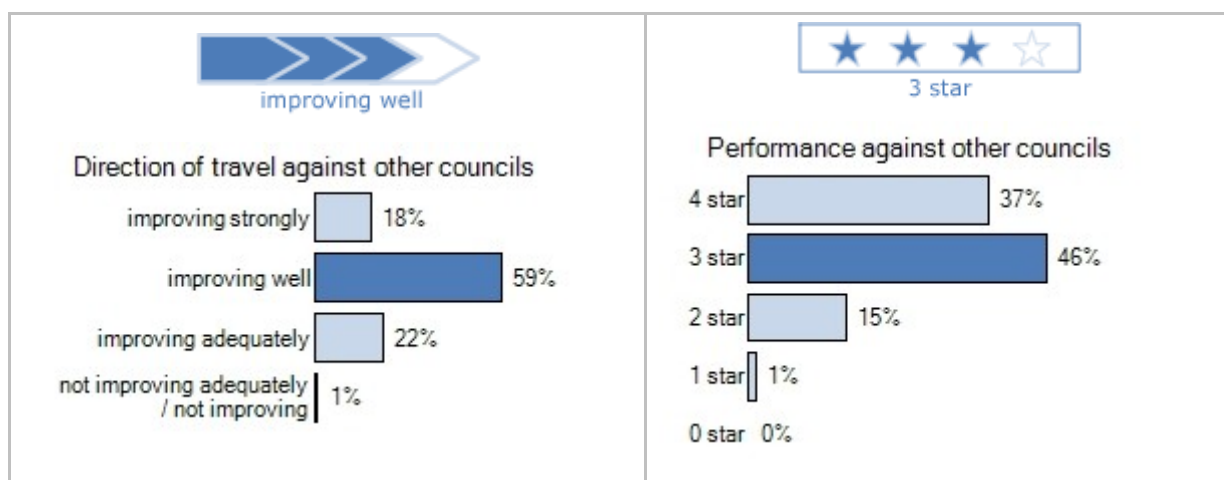
Purpose, responsibilities and scope

- 10 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 11 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 12 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.
- 13 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 14 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 15 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Warwickshire County Council performing?

- 16 The Audit Commission's overall judgement is that Warwickshire County Council is improving well and we have classified Warwickshire County Council as three stars in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1



Source: Audit Commission

- 17 The detailed assessment for Warwickshire County Council is as follows.

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	3 stars
Corporate assessment/capacity to improve	3 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	3 out of 4
Use of resources*	4 out of 4
Environment	4 out of 4
Culture	2 out of 4
Fire	2 out of 4

(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

- 18 Services in Warwickshire County Council are 'improving well'.

What evidence is there of the Council improving outcomes?

- 19 Warwickshire County Council has high performing services that continued to improve in 2007. A sharper focus on three priorities is delivering better outcomes in services for older people (a comparatively weaker service), education attainment, and environmental sustainability.
- 20 Overall service improvement compares favourably with other councils. In a basket of performance indicators for 2006/07, 69 per cent improved which is higher than most County and Unitary Councils. The Council is already performing better than most so this rate of improvement is good. The Council also continues to perform well in delivering value for money as a low spending authority with good and improving overall performance.

- 21** The annual assessment by the Commission for Social Care Inspectorate (CSCI) recognised the work underway to modernise services, moving from traditional residential care to supporting independent living. This is resulting in an increase in Direct Payments, shorter waiting times for assessments, care packages and the delivery of equipment. Services provided via the supporting people programme show good improvement since 2006. There is an increasing range of services available and as a result, more people are in receipt of low level care services which support independence and improve their quality of life. Improving the range of available housing options continues to be a challenge; significant improvement here is still some way off as building the first phase of new extra care housing schemes starts in 2008.
- 22** Education attainment has continued to improve and is above the national average. There has also been some success in addressing inequalities between different groups of young people and areas of the county. For example progress in boys writing skills is better than the national average and the number of children permanently excluded from schools has fallen. Services for vulnerable children are improving with fewer children in residential care, better adoption processes and there are good results from the new integrated disability service. . However, the progress in reducing the number of schools in special measures is slow.
- 23** Progress with the council's priority for a sustainable environment is good overall. The Council and its partners have continued to recycle more waste, and divert more from landfill although the reduction in waste collected is not substantial. More people are using public transport and there is a better transport infrastructure as a result of the completion of the Barford by-pass, Coleshill Parkway station and new cycleway projects. There are many projects underway to reduce the Council's impact on the environment, although it is not yet clear how much progress has been made in delivering the Council's target of reducing carbon emissions as a result of this work.
- 24** Access to services is improving rapidly with a number of One Stop Shops providing better face to face services and new channels such as kiosks and text messaging being successfully deployed. New children's centres are improving access to a range of health and social care services. Consultation and engagement with a range of partners and stakeholders has improved although the Council has not improved from level 2 of the Local Government Equalities standard.
- 25** The overall quality of life in Warwickshire is good and improving. The Council has a successful track record of reducing road casualties and together with its partners is having some success in reducing antisocial behaviour in specific areas. The first half of 2007/08 saw a good reduction in crime levels after a disappointing rise in 2006/07. Targeted programmes more disadvantaged communities has delivered some good outcomes but the claimant rate and number of young people not in education or training is rising in these areas.

How much progress is being made to implement improvement plans to sustain future improvement?

- 26 The Council has made considerable progress in refreshing its key strategies and is in a stronger position to deliver new ways of working programme and improvements in priority areas. Children's' services are assessed as having outstanding capacity to improve and prospects for improvement in adult social care are now 'promising', as a result of increased capacity, stronger leadership, clear vision and strategic joint commissioning plans complete for most service areas.
- 27 Progress with implementing plans is generally good. The majority of targets in the New Ways of Working programme are being delivered and is supporting a more corporate approach to working and an increased pace of change in some areas such as access to services. The new Local Area Agreement for Warwickshire was successfully launched in April 2007 and is being actively monitored. This is providing better partnership working, a platform for future improvements to reduce inequality across the County and a move to more locally based delivery.
- 28 The council's capacity for change improved in 2007. There is strong and visible leadership driving better corporate working and focused improvement in services. Budgets for 2007/08 more closely reflect the council's priorities and new resources are targeted at improvement areas. The outcomes from the first round of value for money reviews in high spending areas will inform the budget and plans for 2008/09. However it is not clear how capacity will be affected as a result of the forthcoming investigations into the Atherstone on Stour fire of November 2007.
- 29 There are no significant weaknesses in governance or improvement mechanisms. The council is self aware and has systems in place to identify issues and take remedial action. A Gateway review of the waste strategy has resulted in a clear route forward for the County's waste and an evaluation of the Stratford Park and Ride facility is reducing the operating costs at the site.

Direction of Travel for the Fire and Rescue Service

- 30 Warwickshire Fire and Rescue Authority is improving adequately.
- 31 Warwickshire's performance continues to improve adequately in priority areas and it is making an effective contribution to communities. It is maintaining a clear commitment to community safety and is targeting a wider range of initiatives at the young and vulnerable. This is the result of active engagement, good communications and an increasing understanding of communities. Overall satisfaction with the service is below average at 55 per cent and performance on key service delivery indicators remains mixed. Performance is improving for malicious false alarm calls, primary fires, deliberate primary fires, and fire casualties, but is below average for others and some are deteriorating.
- 32 The FRA is delivering VFM and efficiency gains. There are systems to review and improve VFM but benchmarking is not yet systematic. Further improvements in value for money are limited by the current service delivery structure.

- 33 Recognising the position during 2007 the Council commissioned an independent review into the medium to long term strategy. The review as to address amongst the things "*the difficulties the fire and rescue service has in meeting the County Council's budgetary requirements, notably in the achievement of a 2.5 per cent efficiency saving in the annual cost of the service*"
- 34 The recommendations from the review were presented to Cabinet in September and a course of action determined. However in reacting sensitively to the tragic events that followed the Council understandably resolved to postpone further actions on the changes needed to the Fire and Rescue Service.

Service inspections

- 35 The results of the inspection of the arrangements for the Supporting People Programme in Warwickshire were published in February 2008. Overall, Warwickshire County Council's administration of the Supporting People programme was assessed as 'fair' with 'promising prospects for improvement'.
- 36 This is the third inspection of the programme. The two previous inspections found the administration of the programme to be poor. This inspection found that a number of the previously identified weaknesses had been addressed. The programme now has a number of strengths although some of these are relatively recent and still need time to start to have an impact on outcomes for service users.

The audit of the accounts and value for money

As your appointed auditor, I have reported separately to the Audit and Standards Committee on the issues arising from our 2006/07 audit and have issued:

- my audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 27 September 2007; and
- my report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 37 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 38 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 2

Element	Assessment
Financial reporting	3 out of 4
Financial management	4 out of 4
Financial standing	3 out of 4
Internal control	4 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	4 out of 4

(Note: 1 = lowest, 4 = highest)

As the Council has an integrated fire and rescue service there has been separate Use of Resources judgements. The scores awarded for the fire and rescue service are outlined in the table below.

Table 3

Element	Assessment
Financial reporting	3 out of 4
Financial management	4 out of 4
Financial standing	3 out of 4
Internal control	4 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 39** This year Warwickshire has achieved the highest level of performance in its Use of Resources assessment. This level of performance was achieved by only 10% of Council's nationally in 2007. The Council's Finance Directorate has continued to refine its arrangements to achieve these results which included some areas of good practice. In particular, internal control was awarded a higher score and the Council was performing strongly in the following areas:
- Medium - term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities;
 - Managing performance against budget;
 - Arrangements in place to maintain a sound system of internal control; and
 - Arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.
- 40** The annual accounts were to a good standard and an unqualified audit opinion was given. The accounts were produced in accordance with the agreed timetable and the standard of the supporting working papers was good. A small number of audit adjustments were required to the Pension Fund accounts but there were no significant adjustments for the main audit.
- 41** We issued an unqualified value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. During the year we have carried out two significant pieces of performance work covering Performance Management in Adult Care and Governance Arrangements for Community Safety in Warwickshire.

- 42 Our review of Performance Management in Adult Care found that overall the arrangements for managing performance information data quality were adequate. Good progress had been made in promoting the importance of performance management in the directorate. In particular, a directorate performance management action plan has been produced. However, at the time of the audit, changes to the process of managing performance was not fully embedded and it was too early for these changes to have had any significant impact on delivering improved services to customers.
- 43 Our work on governance arrangements for Community Safety found that partners in Warwickshire faced significant challenges as they prepared for the LAA's Safer Communities block. The performance management of crime and disorder outcomes was not effective, with variable performance and insufficient challenge. Arrangements for evaluating partnership value for money were not consistent or strongly developed. County-wide partnership structures for community safety are complex and there was a significant lack of clarity about roles and lines of accountability. We found that there were, however, areas of good and notable practice within the county, and there was scope for partners to draw on these as they develop the Safer Communities block further.
- 44 Our data quality work concluded that the Council's overall management arrangements for ensuring good data quality are demonstrating adequate performance. Progress has been made in a number of areas since last year including approving a corporate data quality policy. However, the formality of arrangements for ensuring data quality varies across the directorates.

Audit and inspection fee update

- 45 We are required to provide an update on our audit and inspection fees and can report that our actual fees are in line with that set out in the Audit Plan presented to you on 5 June 2006.
- 46 Our 2006/07 grants certification fees to-date amount to £26,211 compared with the estimate of £75,000. This is because we have been required to audit fewer grant claims than expected and there are still six claims in progress. We estimate that the final grants certification cost will be £30,000.

Looking ahead

- 47 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 48 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 49 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

Closing remarks

- 50 This letter has been discussed and agreed with officers. A copy of the letter will be presented at the Audit and Standards Committee on xx xxx 2008. Copies need to be provided to all Council members.
- 51 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 4 Reports issued

Report	Date of issue
Audit and inspection plan	November 2006
Community safety	January 2007 & October 2007
Performance Management in Adult Social Care	February 2007 & August 2007
Interim audit memorandum	September 2007
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
BVPP statutory report	December 2007
Use of Resources	December 2007
Final accounts memorandum	January 2008
Data Quality	February 2008
Supporting People Re - Inspection	February 2008
Annual Audit and inspection letter	March 2008

- 52 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

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

Dave Rigg
Relationship Manager

March 2008