
REPORT TO: **AUDIT SUB COMMITTEE**

AGENDA ITEM:

8

DATE OF MEETING: **28th JUNE 2006**

CATEGORY:
RECOMMENDED

REPORT FROM: **DIRECTOR OF CORPORATE SERVICES**

OPEN

MEMBERS' CONTACT POINT: **KEVIN STACKHOUSE (595811)**

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report

SUBJECT: **AUDIT COMMISSION – AUDIT and INSPECTION PLAN 2006/07**

REF:

WARD(S) AFFECTED: **ALL**

TERMS OF REFERENCE:

1.0 Recommendations

- 1.1 That the Audit and Inspection Plan for 2006-2007 is considered and any issues arising be referred to the Audit Commission or the Council as appropriate.

2.0 Purpose of Report

- 2.1 To table the Audit Commission's Audit and Inspection Plan for 2006-2007. Under the Committee's terms of reference, the Committee is asked to consider and comment on the scope and depth of the planned work, in particular to ensure as far as possible, that it provides value for money.

3.0 Detail

Background

- 3.1 The Council's external auditors are the Audit Commission. Each year, they are required to issue their planned programme of work for the forthcoming year.
- 3.2 Their Plan for 2006-07 is attached to the report. In accordance with past custom (pre Audit Committee) the plan has been agreed with the Council's Corporate Management Team.
- 3.3 It is proposed that in future, the draft plan can be considered at an early stage by the Committee in order to satisfy its responsibilities. However, the Committee do have the opportunity to consider and comment on the scope and depth of the planned work for 2006/07.

The Audit Commission's Work

- 3.4 To a great extent, the direction of the Commission's work is governed by statutory requirements. However, their scope and depth of coverage is influenced by such factors as how the Council performs, operates and the

degree of local risk involved. They also rely fundamentally on the work of Internal Audit.

- 3.5 The role of the Commission is not just about inspection, but also to support improvement. Their role is also changing in that they are required to a greater extent to assess improvement and the use of resources (including value for money) on an annual basis.

Scope of Work for 2006/07

- 3.6 A large part of the Commission's work for 2006/07 will continue to focus on the regular and on-going areas such as:

- The controls and adequacy of Fundamental Systems (e.g. the financial management systems) in conjunction with Internal Audit.
- Audit of the Council's Accounts.
- Assessing performance on how the Council "uses its resources"
- An opinion on whether the Council provides Value for Money.
- Reviewing the adequacy and quality of data for reporting performance indicators.
- Reporting on whether or not the Council has complied with legislation in the preparation and publication of the Best Value Performance Plan.
- Audit and certification of grant claims.

- 3.7 In addition, the Commission propose that the following areas will be subject to more detailed monitoring/review during the year.

- The Council's performance management system.
- Risk management arrangements.
- The effectiveness of the Audit Committee.
- The operation of the Local Area Agreement.
- Changes to Accounting Practice and how the Council applies them.
- Developments and any changes to the Revenues and Benefits System.

4.0 Financial Implications

- 4.1 The estimated cost of external audit fees for 2006/07 is set out on Pages 17 and 18 of the Commission's plan. The total audit and inspection fee is £105,200, compared to £88,919 for 2005/06 – an increase of 15%. The cost of certification of grant claims however, will reduce from £26,000 to £24,500 in 2006/07.

- 4.2 Clearly, overall this is still a sizeable increase. The actual fee could fluctuate depending on how work pans out in the year, although at this stage, it is perhaps a fair indication of the final figure. However, any work required for the "Whole of Government Accounts" would be on top of this.

- 4.3 The fee structure for 2006/07 was changed nationally for the Audit Commission and direct comparisons with 2005/06 are difficult. However, the Commission site the following risk factors that have influenced their fee locally for South Derbyshire.

- The need to develop further the Council's performance management system.
- Risks associated with the Local Area Agreement.

- Changes to the financial statements as result of new accounting practice in 2006.
- The final outcome and decision in respect of the future of the revenues and benefits system.

4.4 The Commission also identify some actions the Council could take to reduce the fee, as highlighted below.

- To further improve working papers and financial statements to ensure that they tie into the accounts, and
- To encourage senior managers to take more responsibility for checking the accuracy of performance indicators.

4.5 The Council's base budget for Audit Fees totals £92,500 for 2006/07 (excluding grant claims), which compares to the £105,200. Therefore, the increase will need to be reflected in the next review of (July 2006) of 3-year medium-term financial plan.

5.0 Corporate Implications

5.1 None directly.

6.0 Community Implications

6.1 None directly.

7.0 Background Papers

None

