

Audit Action Plan

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Annual Audit and Inspection Letter - Discussion points

Isle of Wight Council

Audit 2004/2005

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Author	A Rankine
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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Summary of issues for the attention of the Audit Committee

The Annual Audit and Inspection letter summarises the key issues arising from the external auditors' wider Code of Audit Practice responsibilities. In order to assist focus the attention of the Audit Committee at its meeting on the 16 March 2006 and to make best use of the time available we have produced this extract of issues for the attention of the Audit Committee. Members are of course invited to read the Letter in its entirety and we will be pleased to take questions on any aspects of its contents. Regarding the matters highlighted below, Audit Committee members may wish to consider what assurances the Council can provide to confirm that the issues are being addressed in Council plans and good progress is being made as to their resolution.

The Audit Committee may also wish to use this document to track progress over the forthcoming year.

Para no.	Issue	Consideration
	<i>Capacity and managing risk</i>	
34	1 Plans to reshape the Council have involved changes in the senior management arrangements with proposals for the displacement of key staff in senior positions within the organisation and there are concerns amongst staff generally about the future. These two factors in themselves are destabilising in the short-term; they will weaken the Council's ability to deliver its change management plan and may lead to already vulnerable services being exposed to further risk and under-performance in the future.	What steps are being taken to ensure that already vulnerable services are not being exposed to further risk and under-performance in the future?
	<i>Performance management</i>	
37	2 The Council has developed a robust performance management framework and now needs to shift its emphasis from the measurement of performance based around the collection of performance indicators to the management of performance requiring a multi-dimensional view of performance and improvement.	Are Council plans to develop effective performance management arrangements on track and being delivered?

4 Annual Audit and Inspection Letter - Discussion points | Audit Action Plan

Para no.	Issue	Consideration
60	<p>3 Our audit concluded that while there have been improvement in some aspects of the Council's arrangements for producing performance information, the Council's quality assurance procedures are not being applied consistently in all cases and action is needed to improve the data quality of performance information produced by the Council.</p>	<p>Can the Council rely on the quality of its performance data?</p>
<i>Value for money</i>		
27	<p>4 There is much that needs to be done to embed a culture of value for money within the organisation. This will include establishing effective target-setting arrangements to track improved efficiency and effectiveness across all services and the availability of meaningful cost comparisons to support corporate priorities and projects.</p>	<p>Are adequate plans in place to enhance target setting and effective utilisation of performance data to track improved efficiency?</p>
66	<p>5 The application of financial benchmarking is not yet widely or consistently applied in practice.</p>	<p>What are the Council's plans to make greater use of financial benchmarking to underpin decision making?</p>
66	<p>6 Service planning and performance management frameworks are not yet firmly embedded into the culture of the organisation and until this is done individual services will have difficulty demonstrating planned step changes in efficiency</p>	<p>What is being done to embed service planning and performance management into the culture of the organisation?</p>

Para no.	Issue	Consideration
	<i>Financial planning</i>	
12	7 The medium-term financial strategy should be developed to explicitly reflect priority areas for service delivery, particularly these which are currently performing poorly. Members may need to take difficult decisions to target savings or shift resources to priority areas	How can the Council demonstrate that financial planning is the corner stone of its improvement agenda?
78	8 When deciding on future expenditure plans, the Council should ensure that its planned level of balances is sufficient to provide an adequate cushion given the emerging financial pressures and uncertainties in the year ahead.	Can the Council demonstrate that the level of planned reserves and working balances is adequate?
	<i>Controls assurance framework</i>	
86	9 The Council needs to focus on the further development of its assurance framework, including an annual effectiveness review which is owned by members.	Do members know what their contribution is to controls assurance and are they confident that they are properly equipped to discharge their functions?
	<i>Governance arrangements</i>	
93	10 The Council should also satisfy itself during the current changes that its governance arrangements remain adequate to ensure that all decisions of a sensitive nature are properly scrutinised as to their financial and legal content in order to protect against actions that may be deemed contrary to law or subject to challenge.	Are members confident that all decisions of a sensitive nature are properly scrutinised as to their financial and legal content and are they aware of their personal obligations in this respect?

Para no.	Issue	Consideration
	<i>Internal Audit</i>	
83	<p>11 The Council needs to ensure that its Internal Audit has sufficient capacity and the appropriate skills to enable it to meet professional standards in the discharge of its function over the forthcoming period. In particular, we recommend that the Internal Audit programme is reviewed to ensure sufficient priority is given to assessing the effectiveness of key controls in material systems.</p>	<p>Are members satisfied that planned internal audit coverage for 2006/07 is adequate and the necessary resources are in place to deliver it?</p> <p>What mechanisms are in place to enable the Audit Committee to track Internal audit performance and take prompt remedial action if required?</p>
	<i>Financial conduct</i>	
90	<p>12 The Council's anti-fraud and corruption strategy and its whistleblowers' charter should be updated to ensure that they reflect developing good practice and changes in the Council's arrangements.</p>	<p>What further steps does the Council need to take to help promote high ethical standards of behaviour and good conduct amongst its staff and members?</p>
90	<p>13 The Council must also take steps to ensure that existing employees are fully aware of the requirements of Standing Orders and Financial Regulations and that all new staff receive a basic, all round understanding of the Council's regulatory framework as part of their induction.</p>	
92	<p>14 Public confidence and trust in the integrity of the Council's arrangements and undertakings and those of its partners and contractors should also be promoted</p>	

Para no.	Issue	Consideration
	<i>Management of the Council's asset base</i>	
57	15 The asset management plan and capital strategy are out-of-date and do not evidence the effective management of the Council's asset base.	Is the revision of the asset management plan and capital strategy proceeding as planned and are the outcomes and success measures clear and understood?
	<i>Financial reporting</i>	
70	16 The accounts have once again been brought forward by a month which adds pressure to all involved.	Is closedown of accounts a Council priority and is it adequately resourced?
69	17 The quality of the Council's capital accounting was, once again, an area for concern. There is a need for significant improvement in the arrangements for producing capital accounts in a number of respects. In particular this relates to the accuracy of the fixed asset register which could not be reconciled to the ledger and errors and uncertainties in the treatment of revaluations and disposals.	Is the Council able to demonstrate improvement in the quality of its capital accounting arrangements
	<i>Capital programme</i>	
81	18 For the past three years, the Council's has failed to deliver its capital programme, with the largest levels of slippage in 2003/04 and 2004/05, amounting to more than 20 per cent of the budget for each year. The Council needs to satisfy itself that the reasons for slippage in capital projects are clearly understood; future capital programmes need to be based of realistic assumptions; integrated with the capital strategy and asset management plan and effective project arrangements introduced for all capital projects.	How robust are the Council's arrangements for managing capital projects and what assurances should members be seeking from officers?

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