

Annual Audit Letter

March 2006



Annual Audit and Inspection Letter

Hambleton District Council

Audit 2004-2005

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 Council

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.

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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

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Key messages

Council performance

- 1 You have continued a trend of overall improvement in service performance. Between 2002/03 and 2004/05, 59 per cent of best value performance indicators (BVPIs) improved. Some significant improvements have been achieved in most services you identified as priorities for improvement, including waste recycling, time taken to process planning applications and improved access to services. You have successfully delivered outcomes linked to the priority themes identified in your Corporate Plan 2004 to 2008.
- 2 Two priority services have failed to improve: improving the supply of affordable housing and the length of time spent by homeless people in bed and breakfast accommodation. You have already taken action to improve these services in 2005/06.

The accounts

- 3 We gave an unqualified opinion on your accounts on 5 October 2005 and there were no matters to bring to the attention of Members.

Financial position

- 4 The need to set a reasonable council tax level means scope for growth in the budget is unlikely unless savings or additional income are gained. To improve your financial position you will need to balance the level of service provision with the duty to control spending.

Financial aspects of corporate governance

- 5 Internal Audit continues to provide an effective function and should take steps to further improve the approach to assessing audit risks.
- 6 We have not identified any significant weaknesses in your arrangements for maintaining proper standards of financial conduct.
- 7 We have not identified any significant weaknesses in your framework for ensuring the legality of its financial transactions.

Use of resources

- 8 You scored a three overall on use of resources. You could take steps to improve in some key areas, including risk management and proactive fraud and corruption work.
- 9 You have a strong commitment to providing quality services whilst keeping close control of costs. Service costs are generally low and compare well with others. Council tax levels are amongst the lowest in the country. Costs are challenged to ensure resources are aligned with priorities and the Council can demonstrate positive outcomes across a range of services. There are well established monitoring systems for both financial and operational performance although these are not fully integrated as a means of assessing value for money.

Background to this letter

The purpose of this letter

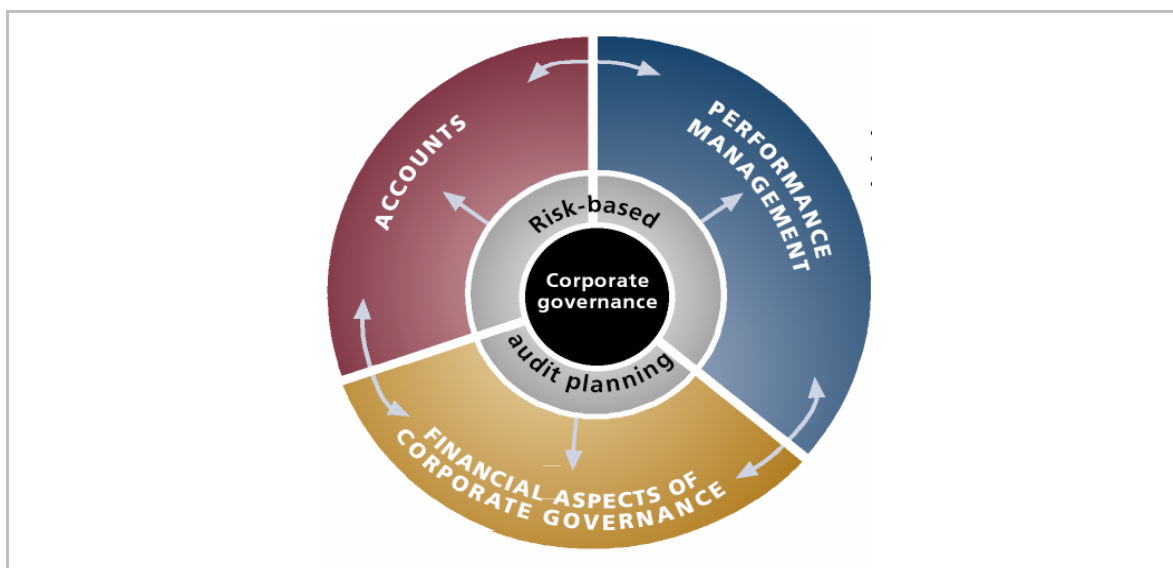
- 10 This Annual Audit and Inspection Letter summarises the conclusions and significant issues arising from our recent audit. We have issued separate reports during the year setting out the findings and conclusions from the specific elements of our programme. These reports are listed at Appendix 1 for information.
- 11 The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.
- 12 Appendix 2 provides information about the fee charged for our audit.

Audit objectives

- 13 Our main 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



- 14 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as shown below.

Performance management

- Use of resources.
- Performance information.
- Best value performance plan.

Accounts

- Opinion.

Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct and the prevention and detection of fraud and corruption.
- Legality of transactions.

Inspection

- 15 Inspection work is based around section 10 of the Local Government Act 1999, which requires us to carry out inspections that:
- enable you and the public to judge whether best value is being delivered;
 - enable the Government to assess how well its policies are being implemented; and
 - identify failing services where remedial action may be necessary.

Council performance

You have continued a trend of overall improvement in service performance. Some significant improvements have been achieved in most services you identified as priorities for improvement, including waste recycling, time to process planning applications and improved access to services. You have successfully delivered outcomes linked to the priority themes identified in your Corporate Plan 2004 to 2008.

Two priority services have failed to improve: improving the supply of affordable housing and the length of time spent by homeless people in bed and breakfast accommodation. You have already taken action to improve these services in 2005/06.

You are well placed to deliver the challenging e-government targets.

Direction of travel

- 16 You have continued a trend of overall improvement in service performance since the comprehensive performance assessment (CPA) in 2004. Between 2002/03 and 2004/05, 59 per cent of best value performance indicators (BVPs) improved. The proportion of BVPs in the best quartile increased from 29 per cent to 33 per cent, whilst the proportion in the worst quartile reduced from 27 per cent to 22 per cent. Overall, you have achieved an above average rate of improvement.
- 17 Some significant improvements have been achieved in most services you identified as priorities for improvement. The volume of waste recycled has increased from 15 per cent in 2002/03 to 35 per cent in 2004/05 and you anticipate a further increase during 2005/06. This has been supported by extending your kerbside recycling to 91 per cent of households and providing 'green' bags to 100 per cent of those who requested them. This remains below the national average, but is as the result of a policy decision and is influenced by the rural nature of the district. One negative impact of the extended kerbside recycling is an 8 per cent increase in the volume of waste collected, although the volume of waste disposed through landfill is reducing.
- 18 After a dip in performance in 2003/04, there have been major improvements in your processing times for planning applications. Government targets for all three categories of application were comfortably achieved in 2004/05; performance for two of the categories was amongst the best quartile nationally. We note that officers are working to develop a plan to allow sustained performance when staff turnover affects your capacity as in the current year. You have significantly improved the time taken to process housing benefits claims, although at an average of 42 days for 2004/05, your performance remained below the national average. However, at the mid-point of 2005/06, statistics from the Department for Work and Pensions (DWP) show average performance of 34 days, which satisfies national performance standards and is better than the national average.

- 19 Improved access to services is being achieved through the introduction of a new reception service supported by new technology to provide a faster, more efficient service. As the new system didn't go live until April 2005, performance indicators reflected comparatively poor performance in 2004/05. Only 33 per cent of customer requirements were met at the first point of contact and 42 per cent of interactions with the public were delivered electronically – amongst the poorest performance nationally. However, the phased introduction of new technology and an updated web site in 2005/06 has resulted in significant improvements and your current information suggests that you met 99.36 per cent of government targets.
- 20 One key priority for improvement where you have had less success is in improving the supply of affordable housing, although your latest figures indicate that the proportion of affordable housing completions is increasing. By the end of 2005, affordable housing accounted for 29 per cent of all completions compared with 24 per cent in 2004/05. You have recognised the importance of the issue and are taking steps to further accelerate the provision of affordable housing. You have set up a £1.19 million fund to address the issue, and are working with a Rural Housing Enabler to tackle affordable housing issues in rural parts of the district. You have also revised your planning policies as part of the development of the new Local Development Framework to further increase the proportion of affordable housing, although these changes have not yet taken effect. Officers are confident that you are on course to achieve your 2008 targets, although it is important that you sustain a focus on this issue to ensure they are achieved.
- 21 The current lack of suitable accommodation is having a negative impact on your performance in dealing with homelessness. The average length of stay in temporary accommodation has increased between 2002/03 and 2004/05, and your performance is now amongst the worst quartile of councils nationally. However, you have taken steps which have resulted in a reduction in the number of cases of homelessness.
- 22 You have successfully delivered outcomes linked to the priority themes identified in your Corporate Plan 2004 to 2008. In respect of increasing prosperity, you have exceeded targets for creating jobs through council-provided land and workspace. There was an 8 per cent increase in concessionary travel participation in 2004/05 with positive outcomes from grants to enhance community transport schemes. Tourism numbers increased and your World of James Herriot museum won a number of tourism awards.
- 23 Actions aimed at improving health were also successful. Health walks and exercise by prescription courses have increased and you exceeded your targets for increasing visits to leisure centres. You introduced a Fastcard scheme which targets socially excluded groups, a number of recreation areas and sports pitches were opened or improved and you made a contribution to the Thirsk Area Schools Sports Partnership to target activities for children and young people.

- 24 Your actions to improve the quality of local housing recognise the increasing proportion of elderly residents in the district. Improvements include subsidised cavity wall and loft insulation in partnership with power companies along with top-up loft insulation and draught proofing for people in receipt of benefits. You are also taking action to increase the take-up of Disabled Facilities Grants and Property Grants aimed at increasing the independence of people with disabilities.
- 25 You have also taken further steps to strengthen your already well-established corporate management capacity. Your first Corporate Plan was produced in 2004 and sets out a long-term vision and priorities for improvement along with clear action plans and targets. You have also taken action to improve marketing and communications with the aim of improving awareness of the vision and priorities, such as using your newspaper to engage local people in reviewing budget priorities. Work is also ongoing to strengthen engagement with Community Investment Partnerships and hard to reach groups.
- 26 Member capacity is being developed through the 'effective member programme'. Actions are being taken to more clearly align member roles and responsibilities to corporate priorities and more personalised member training programmes are to be developed. Actions to develop management capacity include a new appraisal scheme based on key competencies and an organisational development programme, 'Raising the Bar', is currently being delivered. Organisational learning and sharing of best practice is being achieved through quality award applications, an internal Change Management Group and an external challenge programme provided by an external partner.
- 27 You have improved your performance management framework to provide better alignment with priorities. You have also strengthened the member role in performance management and moved towards more challenging outcome-based targets. The performance management framework includes clearer links with staff appraisal and you have developed a more integrated approach to risk management.
- 28 A revised procurement strategy has been adopted which takes account of current best practice and you now have an action plan to take it forward. You have used procurement creatively to achieve financial savings and improve service delivery, and made good use of joint procurement to make savings on internal supplies and services.
- 29 One major issue that you are still coming to terms with is the capping of your budget for 2005/06. You are reviewing your priorities and have reviewed your financial strategy in an effort to minimise the impact on services to the public, although some impact is evident. For example, you have reduced grants to community and voluntary groups and a planned extension of the concessionary travel scheme to young people had to be scaled down. The successful management of this issue is clearly fundamental to sustaining improvements in the future, and robust monitoring of your financial performance will be essential.

- 30 You are already looking to the future, developing a new action plan to target issues raised by draft guidance for CPA for district councils. The draft plan recognises issues such as the need to develop more integrated services which target the needs of all sectors of the community as well as the increasing significance of your community leadership role and the need to further develop effective partnership working.

Best value performance plan

- 31 Our duty under the Local Government Act 1999 is to audit your best value performance plan (BVPP). This work is complete and no matters have arisen that we wish to report to Members.

Partnerships – alcohol and young people

- 32 This project focused on the effectiveness of partnership working across North Yorkshire, using the theme of young people and alcohol as a case study. District CPA highlighted services for young people as a key risk area and our NHS plan work on drug treatment services highlighted alcohol misuse amongst young people as a high risk, especially in market towns within the county. Alcohol and young people is also a national priority, as recognised by the Alcohol Harm Reduction Strategy for England published in March 2004.
- 33 This cross-cutting approach relies on effective partnership working between all levels of government, the drinks industry, the health service and other strategic and community-based partners. Our case study indicated some limitations to partnership working in Hambleton. There are examples of good partnership working related to anti-social behaviour, but partnership working relating to health impacts is less well developed. A number of high level issues have arisen so far.
- Priorities relating to young people and alcohol are not explicitly stated within the 2003 Community Plan for Hambleton, although the theme of 'A Safe Community' includes a reference to specific action to reduce the number of young people involved in crime and disorder. You see the issue of young people and alcohol as a key issue in terms of anti-social behaviour and, through the Community Safety Partnership, have taken a number of initiatives to educate young people away from alcohol misuse.
 - The commitment of partners is variable. Effective action has been taken through the Community Safety Partnership to address anti-social behaviour and to provide an element of health education. However, the health impacts of alcohol misuse are not given the same level of priority by the LSP's Healthy Community theme group. Activity relating to substance abuse currently focuses mainly on drugs rather than alcohol. There is also a lack of clarity about the role of some partners, particularly those who have a county-wide perspective. A review of the structure of the North Yorkshire Strategic Partnership is taking place which will clarify the relationship between local and county-wide partners.

- Performance management in terms of assessing the impact of activities is an issue for all partners. A general lack of local baseline data makes it difficult to assess progress in tackling young people and alcohol issues.
- 34 Although not the major partner in respect of health issues, it is important that the Council develops its community leadership role to ensure that the LSP achieves maximum impact on all aspects of local and national priorities.
- 35 Two important developments have occurred since our review:
- a new Crime and Disorder strategy was produced in April 2005; and
 - the LSP (Local Strategic Partnership) has a number of new thematics, including health.

Both these will assist in driving the partnerships and young people and alcohol agendas forward.

Access to services and e-government

- 36 The Government has set challenging targets for local authorities of 100 per cent provision of electronic access for identified services by the end of 2005. Since last year's letter, we have reported on your plans to meet these targets. Our report issued in early 2005 concluded that you had made sound preparations for delivering targets for e-government and the ODPM's 'priority services' agenda.
- 37 There remains a significant challenge to actually deliver the ambitious programme of work, but agreement to continue in partnership will help with delivery of that change. The key challenges will be:
- maintaining effective programme and project management arrangements;
 - extending the customer services unit to deliver further phases of the single contact point philosophy; and
 - maintaining contract management arrangements within the partnership.
- 38 Members are well briefed and demonstrate considerable interest and knowledge in this subject. The Member e-Champion is supported by an Access to Services Group which is used to assess key parts of the delivery strategy.
- 39 The Access to Services Implementation Plan has progressed in order to deliver your requirements outlined in the Customer Access Strategy, which was updated in June 2005. Work to meet the Government Priority outcomes in partnership with Agilisys is progressing satisfactorily including the plan to integrate Front and Back offices for the major services. Officers report that you have met 99.36 per cent of the e-government targets.

Accounts

We gave an unqualified opinion on your accounts on the 5 October 2005 and there were no matters to bring to the attention of those charged with governance.

Audit of 2004/05 accounts

- 40 The published accounts are an essential means by which you report the stewardship of the public funds and financial performance in the use of those resources. Members approved the accounts on 28 June 2005, well ahead of the 31 July statutory deadline. The statutory deadline will be brought forward to 30 June for the 2005/06 accounts and based on this year's performance you are well placed to meet this.
- 41 The professionalism, availability and helpfulness of your finance staff made a significant contribution to the successful and timely completion of the audit. A number of minor errors were corrected during the course of the audit.

Report to those with responsibility for governance in the Council

- 42 We are required by professional standards to report to those charged with governance (in this case the Finance and Resources Overview and Scrutiny Committee (will be the new Audit and Governance Committee)) certain matters before we give an opinion.
- 43 There were no matters arising that we needed to formally report under SAS 610 and a letter was issued to those charged with governance to this effect.

Financial aspects of corporate governance

Financial standing

It is the responsibility of the Council to conduct its financial affairs and to put in place proper arrangements to ensure that its financial standing is soundly-based. The need to set a reasonable council tax level means scope for growth in the budget is unlikely unless savings or additional income are gained. To improve your financial position you will need to balance the level of service provision with the duty to control spending.

- 44 The 2004/05 outturn was a £170,000 underspend on a £10.4 million budget. General fund reserves remain at £2 million with earmarked revenue reserves at £13.2 million. The useable capital receipts reserve is £12 million.
- 45 The original 2005/06 net budget of £10.5 million was set with a 17.6 per cent increase in council tax, using £2.9 million of reserves (council tax reserves). The Government's decision to 'cap' at a council tax increase of 5 per cent resulted in a budget reduction of £196,604. Some new schemes planned for 2005/06 have been put on hold as a result. Although naturally disappointed with by the Government's decision to cap, officers and Members have worked hard to produce a workable budget for the current year.
- 46 The need to set a reasonable council tax level means scope for growth in the budget is unlikely unless savings or additional income are gained. To improve your financial position you will need to balance the level of service provision with the duty to control spending by:
 - reviewing costs and implementing action to achieve savings;
 - monitoring delivery to ensure budgeted cost reductions are secured; and
 - examining specific areas to identify the scope for further savings.
- 47 At the end of 2004/05, you had approximately £8.8 million as earmarked 'council tax reserves', earmarked to keep council tax levels low in the future. Based on council tax increases of 5 per cent, these reserves available to support council tax would be diminished in 2008/09. You have approved revised medium-term and long-term (ten years) financial strategies to take the impact of capping into account. These will be subject to regular review.
- 48 The position against the budget is reported to Cabinet. Latest budget monitoring reports (at end of January 2006) forecast a £95,000 underspend.

Systems of internal financial control

It is the Council's responsibility to ensure that your systems of internal financial control are effective. Our work has not identified any significant weaknesses in your framework. Internal Audit continues to provide an effective function and should take steps to further improve the approach to assessing audit risks.

Internal Audit

- 49 Internal Audit (IA) plays an important role in providing assurance to management that the systems of internal control are effective. This year we have undertaken a detailed review of IA against the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government and to assess whether IA:
- provides sufficient assurance to management on the operation of your internal control framework; and
 - provides work of a standard that we can then place reliance on in respect of key financial systems.
- 50 Overall we found that Internal Audit provides an effective service that complies with the CIPFA standards as a whole. We were able to rely on the work undertaken by IA. There is scope to improve the approach to undertaking and documenting a full audit risk and needs assessment when producing the audit strategy and providing a clear trail to the annual audit plans.
- 51 In October 2005, you took the decision to establish a separate Audit and Governance Committee, with a remit also covering risk management. The 'audit committee' receives progress on Audit Commission and IA work and we will be inviting Members to be involved in our 2006/07 audit planning process. We have provided a good practice checklist to assist in the development of the function.

Standards of financial conduct and the prevention and detection of fraud and corruption

The primary responsibility for the prevention and detection of fraud, and taking reasonable steps to limit the opportunity for corrupt practices, lies with the Council. It is also the Council's responsibility to ensure that it has arrangements in place to make sure that proper standards of conduct are maintained. Our work has not identified any significant weaknesses in your arrangements. IA is to undertake specific fraud probes where risks emerge.

Overall arrangements

- 52 We note that you have procedures in place designed to ensure that proper standards of conduct are maintained. We have not identified any significant weaknesses in your arrangements to prevent and detect fraud and corruption.

National Fraud Initiative

- 53** In 2004/05, you took part in the Audit Commission's National Fraud Initiative (NFI 2004/05). The NFI, which is undertaken every two years, aims to help identify and reduce fraud by bringing together data from NHS bodies, local authorities and government departments and other agencies, to detect a wide range of frauds against the public sector. These include payroll and housing benefit fraud, with the details of housing benefit fraudsters being passed back to the employing body to allow them to consider the implications and take action as appropriate.
- 54** Internal Audit and the Benefit Fraud Investigation team have been working through the matches identified by the NFI to determine what, if any, further action should be taken in each case. Relevant returns in relation to the NFI have been submitted to the Audit Commission.

Legality of transactions

It is the Council's responsibility to ensure that you have arrangements for ensuring the legality of your transactions. Our work has not identified any significant weaknesses in your framework.

- 55** We reviewed your overall arrangements and our work has not identified any significant weaknesses in your framework.

Use of resources judgements

- 56** The use of resources assessment is a new annual assessment which focuses on financial management but links to strategic management. It looks at how the financial management is integrated with strategy and corporate management, supports your priorities and delivers value for money. We anticipate in future the Use of Resources judgements will form part of the CPA framework.
- 57** We have assessed the Council's arrangements in five areas and the scores are set out in Table 4.
- 58** Previously, 'adequate arrangements' were sufficient to score 3, but under the new approach meeting 'adequate performance' will score 2. Scoring is based on the following scale.

1	Below minimum requirements – inadequate performance
2	At minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

Table 1 Council's arrangements

The Audit Commission gave you an overall rating of 3.

Element	Assessment
Financial reporting	3
Financial management	3
Financial standing	2
Internal control	2
Value for money	3
Overall	3

(Note: 1=lowest, 4=highest)

- 59 The detailed findings from the use of resources work have been reported in a separate document. The table below highlights the key areas for further improvement.

Table 2 Areas for development

Key areas for further development

Attribute	Score	Areas for development to reach the next level
Financial reporting		
Accounts compliant with standards and supported by comprehensive working papers	3	There are opportunities to develop working papers towards exemplary by undertaking an analytical review to provide evidence of internal assurance.
Promotes external accountability	2	There are opportunities to promote external accountability through consultation with stakeholders on their requirements for summary accounts and/or an Annual Report.
Score for theme	3	

Attribute	Score	Areas for development to reach the next level
Financial management		
MTFS delivers strategic priorities	2	There are opportunities for the Council to further develop the risk assessments and sensitivity analysis which underpins the budget and communicate the MTFS to staff, partners and stakeholders.
Manages performance against budgets	3	There are opportunities to develop: financial reporting to Members covering efficiency savings and significant partnerships; regular and formalised training on financial issues for Members and non-finance staff and consultation with users to provide financial information to meet their needs.
The Council manages its asset base	3	There are opportunities to develop performance measures and utilise benchmarking information to describe and evaluate how the asset base contributes to the achievement of corporate and service priorities.
Score for theme	3	
Financial standing		
Manages spending within available resources	2	There are opportunities to develop: targets for income collection and arrears recovery based on an age profile of the debt; a process for evaluating the effectiveness of recovery actions, associated costs, and the cost of not recovering debt promptly and a system for monitoring the opportunity cost of maintaining the level of reserves and balances compared to the benefits accrued.
Score for theme	2	

Attribute	Score	Areas for development to reach the next level
Internal control		
Manages significant business risks	2	There are opportunities to further embed risk management by: reviewing and updating the risk management process annually; providing training to Members with risk management responsibility and providing quarterly risk management reports to the new Audit and Governance Committee with annual reports to full council.
Arrangements in place to maintain a sound system of internal control	3	The Council should ensure that procedure notes/manuals are updated annually for all business critical systems and Standing Orders etc are reviewed and updated annually.
Arrangements in place to promote and ensure probity and propriety	2	There are opportunities to develop the counter fraud and corruption (f&c) environment through: proactive f&c audit supported by formal risk assessments; risk assessments to focus proactive HB fraud work; developing a link between the risk management framework and f&c work and improving staff awareness of the f&c policy and of proven cases of fraud/corruption.
Score for theme	2	

Attribute	Score	Areas for development to reach the next level
Value for money		
Currently achieves good value for money	3	You could: develop a more complete understanding of the financial impact of local factors; further challenge relatively high cost services to ensure they are delivering appropriate value for money and consider the links between investment in services and user satisfaction to ensure that appropriate improvement in user outcomes are achieved.
Manages and improves value for money	3	You could: develop performance management arrangements to provide better integration of financial and operational performance; consider the role of Overview and Scrutiny Committees in challenging value for money, develop mechanisms to ensure that budget reductions do not result in reduced outcomes and ensure that the revised Corporate Procurement Strategy is embedded across all services as a mechanism for improving value for money.
Score for theme	3	
OVERALL SCORE	3	

Other work

Civil contingencies

- 60 The Civil Contingencies Act 2004 outlines the requirements necessary for authorities to better plan for and deal with emergencies that cause severe disruption to services at all levels. It looks at building 'service resilience', not just improving emergency planning, but including business (or service) continuity arrangements, including ICT. The Act draws attention to arrangements with partner and local organisations, and the testing of emergency and service continuity plans.
- 61 We found that you are making good early progress in establishing the arrangements required. These could be strengthened through further work on developing the 'business continuity plan', under the Service Level Agreement with North Yorkshire County Council.

Housing benefits

- 62 You have taken action to address the recommendations made in our October 2003 review.
- The Service Plan and Benefits Improvement Plan have been continually reviewed and updated.
 - Post opening procedures have been improved.
 - An additional member of staff in the Benefits Fraud Unit enabling more work on investigating suspected fraud.
 - The performance indicators for housing benefits have improved significantly.
- 63 A decision is awaited on the computerised management information system. This depends on the results of the feasibility study for working in partnership with Ryedale District Council on revenues and benefits.

Grants

- 64 We have adopted a more risk-based approach to the certification of grant claims. With effect from 2003/04, claims with a value of less than £50,000 no longer require auditing and those between £50,000 and £100,000 have received a lighter touch audit. The approach to larger claims has been determined by risk and the adequacy of your control environment.
- 65 We have no issues to report on this year's work.

Looking forward

Future audit and inspection work

- 66 We have an agreed plan for 2005/06 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2005/06 accounts, will be reported in next year's letter.
- 67 We have sought to ensure, wherever possible, that our work relates to your improvement priorities. We will continue with this approach when planning our programme of work for 2006/07. We will seek to reconsider, with you, your improvement priorities in the light of the latest CPA assessment and your own analysis, and develop an agreed programme by 31 March 2006. We will continue to work with other inspectorates and regulators to develop a co-ordinated approach to regulation.
- 68 I would welcome the opportunity to discuss your emerging risks and priorities at the meeting scheduled to discuss this draft Interim Annual Audit Letter. Current risks identified include:
- the effects of capping; and
 - the revenues and benefits partnership.

Revision to the Code of Audit Practice

- 69 The statutory requirements governing our audit work, are contained in:
- the Audit Commission Act 1998; and
 - the Code of Audit Practice (the Code).
- 70 The Code has been revised with effect from 1 April 2005. Further details are included in our Audit Plan which has been agreed with Finance and Resources overview and Scrutiny Committee in June 2005. The key changes include:
- the requirement to draw a positive conclusion regarding your arrangements for ensuring value for money in its use of resources; and
 - a clearer focus on overall financial and performance management arrangements.

A new CPA framework

- 71 The Audit Commission is currently considering the results of the consultation on the proposals for revising the CPA framework for District Councils. Revised proposals will be announced in April 2006, followed by further consultation.

Closing remarks

- 72 This letter has been discussed and agreed with chief officers.
- 73 The Council has taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for your assistance and co-operation.

Availability of this letter

- 74 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk.

Mark Kirkham
District Auditor and Relationship Manager
March 2006

Appendix 1 – Audit and inspection reports issued

Table 2 Reports issued

Report title	Date issued
Audit Plan	March 2004, November 2004
Partnership Working - Young People and Alcohol	July 2005
Review of Internal Audit	August 2005
Housing Benefits Action Plan Follow-up	September 2005
Report on the 2004/05 Financial Statements to Those Charged with Governance (SAS 610)	September 2005
Civil Contingencies	November 2005
BVPP Report	December 2005
Interim Annual Audit Letter	December 2005
Final Accounts and Governance Memorandum	February 2006
UoR Scores Feedback	March 2006

Appendix 2 – Audit and inspection fees

Table 3 Audit fee update

Audit area	Plan 2004/05 (£)	Actual 2004/05 (£)
Accounts	18,000`	18,000
Financial aspects of corporate governance	25,000	25,000
Performance	6,500	6,500
Total Code of Audit Practice fee	49,500	49,500
Inspection	3,000	3,000
Total	52,500	52,500