

Audit Committee – 19th April 2007

Report of the Director of Finance

External Audit Plans - 2006/07 & 2007/08

Purpose of Report

1. To inform Members of the proposed External Audit plans for 2006/07 and 2007/08.


Background

2. In addition to their normal work on the final accounts, the External Auditors allocate resources to cover specific issues they believe are of sufficient risk to warrant their attention - particularly in forming the overall judgements on Use of Resources.
3. There are two schedules attached, one for 2006/07 Audit Year (Appendix A), which was delayed because of the delay in issuing the Corporate Assessment and one for the 2007/8 Audit Year (Appendix B). The formats are different because the Audit Commission used different formats nationally in each year.
4. Some of the issues will require significantly more audit work than others e.g. in 2007/8 they will spend a lot more time on single status than disability access.
5. The various issues emerge from the CPA, other audit work and their own risk assessments.

Finance

6. The cost of the proposed work is met from the total audit fee, which including work on grant claims will be in excess of £430,000 in 2007/8.

Law

7. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act, 1998, and lations made therein.

Equality Impact

8. This report includes reference to proposed audit work on access to Council buildings for the disabled.



9. The work included in the plans will help to protect the interests of children and young people, albeit they were not consulted on, or involved, with the development of the plan.

Recommendation

10. That Members note the contents of this report and approve the External Audit plans for 2006/07 and 23007/08.



DIRECTOR OF FINANCE

Contact Officer : **Mike S. Williams**
Director of Finance

2006/7 Draft Plan

Table 1 Summary of use of resources audit risks

Audit risk	Response
<p>The CPA Corporate Assessment identified that the Council's plans to tackle deprivation are not coordinated and that a coherent strategy needs to be developed. In order to give a secure value for money conclusion, we need to establish that the Council is taking action to address this issue</p>	<p>We will assess the adequacy of the arrangements that the Council has in place to tackle deprivation in a coordinated and sustainable way</p>
<p>The CPA Corporate Assessment recognised the improvements that have been made to the Council's performance management system in recent years. However, it identified that further work is needed to ensure that the system is applied consistently and rigorously throughout the Council. The Assessment also found that there are clear areas of improvement set out in the Council Plan but targets are not always challenging. In order to give a secure value for money conclusion, we need to establish that the Council is taking action to address these issues</p>	<p>We will assess the adequacy of the arrangements that the Council has in place to address the weaknesses in performance management and target setting identified in the CPA Corporate Assessment report</p>
<p>Local bus service delivery is a high profile area in the West Midlands Local Transport Plan (LTP) and specific targets are also included in the ODPM's PSA. Local authorities working in partnership need to ensure that bus services are operating at optimum efficiency.</p>	<p>This cross cutting review will consider the extent to which local authorities, including Centro and the PTA, work in partnership to seek to meet the Government targets on bus patronage.</p>
<p>The Council plans to make greater use of prudential borrowing to support its future capital expenditure plans. In order to give a secure value for money conclusion, we need to establish that the Council has adequate arrangements in place to ensure that its financial plans comply with the CIPFA Prudential Code</p>	<p>We will assess the adequacy of the Council's arrangements for complying with the CIPFA Prudential Code</p>

2007/8 Draft Plan

Appendix 1 – Initial risk assessment – use of resources

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities
The Council has yet to implement single status but it has plans in place to do so. It is too early to form a reliable estimate of single status costs but the additional costs could be significant	A job evaluation methodology has been adopted to assist its pay and gradings review exercise and a Council wide project plan has been developed and is being implemented throughout 2006/07.	Yes	We will continue to monitor the Council's progress through review of key documents and interviews with key officers	VFM conclusion criteria: <ul style="list-style-type: none"> • arrangements in place to manage significant business risks • soundly based medium term financial strategy in place • arrangements in place to ensure spending matches available resources
The Council plan to have a local area agreement in place from Apr 2007.	The Council's internal audit service will be taking a key role in providing assurance on the delivery of the agreement	Yes	We will monitor the Council's progress on delivering the agreement through review of key documents and interviews with key officers, including internal audit	VFM conclusion criteria: <ul style="list-style-type: none"> • arrangements in place for setting, reviewing and implementing its strategic and operational objectives • arrangements in place to manage significant business risks
The Dudley Council Plus initiative has struggled to keep within budget and a	The Council's internal audit service will be undertaking work in this area within	Yes	We will assess the Council's progress in tackling the financial and service delivery problems	VFM conclusion criteria: <ul style="list-style-type: none"> • arrangements in place for setting, reviewing and implementing its strategic and

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities
deficit of £0.7m is forecast for 2006/07. Quarterly performance monitoring reports for 2006/07 state that targets for the percentage of calls to Dudley Council Plus answered within the agreed time are not being achieved	2007/08		being faced by Dudley Council Plus	<p>operational objectives</p> <ul style="list-style-type: none"> • arrangements in place to take account of the views of service users • arrangements in place to manage and improve value for money • arrangements in place to ensure that spending matches available resources
The Council are embarking on plans to redevelop a 3 acre site in the centre of Dudley which currently houses the Council House and various other Council offices	Officers have reported to members on the action taken on these proposals to date	Yes	We will continue to monitor the Council's progress through review of key documents and interviews with key officers	<p>VFM conclusion criteria:</p> <ul style="list-style-type: none"> • arrangements in place to manage significant business risks • arrangements in place to ensure spending matches available resources • arrangements in place for the management of its asset base • arrangements in place to promote and ensure probity and propriety in the conduct of its business
Analysis of 2005/06 performance data	The Council are making funds	Yes	We will assess the adequacy of the Council's	VFM conclusion criterion:

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities
<p>shows that the Council was in the bottom quartile for metropolitan authorities for the percentage of buildings accessible to people with a disability and the percentage of employees with a disability</p>	<p>available to improve disabled access to its buildings. An employee audit is to be undertaken in 2007 to ensure that actions are based on the sound data</p>		<p>arrangements to improve the accessibility of its services to the disabled and the numbers of disabled people that it employs</p>	<ul style="list-style-type: none"> • arrangements in place for setting, reviewing and implementing its strategic and operational objectives