

EXTERNAL AUDIT REPORTS
(Report by the Head of Financial Services)

1 ANNUAL AUDIT AND INSPECTION LETTER

- 1.1 The Council receives a letter each year from its external auditors which summarises the results of the external audit and inspection activity that has taken place in the last year. This year it incorporates an assessment of our “direction of travel” and a summary of the Use of Resources assessment (see below) and so is jointly authored by John Golding, our auditor from Robson Rhodes, and Nigel Smith, our relationship manager from the Audit Commission. This has led to a change in the timetable and so the draft was received at the end of March. Your officers have now discussed the draft with its authors and a number of changes are incorporated into the final letter attached to this report at **Annex A**.
- 1.2 It is best practice for this to be discussed formally and also circulated to all Members. John Golding and Nigel Smith will be attending the meeting to present it.

2 USE OF RESOURCES

- 2.1 The Audit Commission have designed the Use of Resources judgement to assess how well Councils manage and use their financial resources. It focuses on the importance of having resources available to support the Council’s priorities and to improve services. It will form part of future Comprehensive Performance Assessments.
- 2.2 Attached at **Annex B** is the report that was produced by Robson Rhodes to explain how well Huntingdonshire performs. The overall mark, on a scale of 1 to 4, was 3 representing **good**. The Table below compares this with the District Council average:

Aspect	HDC Score	District Council Average Score
Financial reporting	2	2.32
Financial management	3	2.31
Financial standing	3	2.30
Internal control	2	2.09
Value for Money	3	2.28
OVERALL	3	2.32

- 2.3 For each aspect, the methodology describes what needs to be achieved to score at each level from 2 to 4. Inevitably, the more complex and thorough the systems the higher the administrative overhead and the report highlights that the Council should seriously consider the cost/benefit of introducing additional processes with particular reference to the achievement of scores of 4.

- 2.4 Risk management, a subject with which this Panel is increasingly involved, also highlights the need to assess the right balance between the cost of additional controls and the reduction in risks that would result. It is thus the view of your officers that it would not be appropriate to introduce all of the aspects included in the report's suggestions and the general intention should be to consolidate our score of 3 and only to bring scores up to 4 where they require minimal extra resource or are changes the Council would wish to make anyway irrespective of the Use of Resources judgement.
- 2.5 The report recognises that the Audit Commission were consulting on changes for next year's assessment. Since the report was produced the changes for next year have been published and so the actions your officers have proposed in Appendix A to the Annex also take account of these amendments. However, the changes to the Value for Money section are more significant and there has not been sufficient time to fully consider the changes that should be made in this area prior to the meeting. A report on this aspect will therefore be presented to the Panel's September meeting.
- 2.6 John Golding from Robson Rhodes will present his report.

3. CONCLUSION

- 3.1 Both reports show the Council in a good light and reflect that major developments are underway to continuously improve the services the Council provides.
- 3.2 A score of 3 on the Use of Resources is very pleasing and clearly above the District average. A number of developments, particularly on risk management and governance were already underway when the assessment was made and these, together with the actions now proposed, will lead to a strong consolidation of our score of 3. The changes to the Value for Money requirements for next year's judgement are more significant and these require more consideration before appropriate changes can be identified. A report on this aspect will be made to the Panel's September meeting.
- 3.3 Copies of the Annual Audit and Inspection Letter will be forwarded to all members and both reports will be available on the intranet and website.

4. RECOMMENDATIONS

- 4.1 The Panel are recommended to:
- Receive the two reports.
 - Note the actions that will be taken on the Use of Resources.
 - Note that a further report on Value for Money will be presented to the Panel's September meeting.

BACKGROUND INFORMATION

Audit Commission methodology for Use of Resources Assessment

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