The logo for RSM Robson Rhodes is located in the top left corner. It consists of a thick black L-shaped graphic that forms a partial frame. Inside this frame, there are two horizontal lines. The text "RSM Robson Rhodes" is positioned below the second line.

RSM Robson Rhodes

Annual Audit and Inspection Letter

Huntingdonshire District Council

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

Document Control	
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Filename	Huntingdonshire District Council Annual Audit and Inspection Letter

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Key messages

Council performance

- 1 The Council has made progress on improvement plan priorities since its 2004 District Council Comprehensive Performance Assessment (DCPA). In some cases progress has been significant, in others slower than originally planned, reflecting the challenge of capacity for the Council.
- 2 Performance on Best Value Performance Indicators is mixed across the Council. For example there has been very strong performance in some priority areas such as recycling. Although the Council has tried several different approaches to addressing homelessness this continues to be an area of concern.
- 3 The Council has made significant progress in two major corporate projects: the accommodation project to secure new Headquarters and the opening of a call centre as part of the 'Customer First' initiative.
- 4 Although council tax levels are well below the national average the Council was capped in 2005 as a result of its long-term strategy to reduce the subsidy of council tax by using reserves. This led to a reassessment of the financial strategy and a further base budget review. The sustainability of the revised medium term financial strategy is dependent on the Council reviewing its allocation of resources against its priorities and targeting reductions areas which have a low impact on its priorities. The Council is still at the early stages of this process.

The accounts

- 5 The Council's previous external auditors gave an unqualified opinion on the Council's 2004/05 accounts. The Council's accounts were well prepared and supported by a good standard of working papers.
- 6 Regulation requires that the annual accounts are approved and audited one month earlier for 2005/06.

Financial position

- 7 The latest financial position in respect of the 2005/06 financial year indicates that the Council's overall financial standing continues to be sound.

Other accounts and governance issues

- 8 The Council scored 3 out of 4 ("*performing well*") in the Use of Resources assessment, which is was part of the new "harder test" of the Audit Commission overall Comprehensive Performance Assessment architecture.

- 9 The Council's performance in this area reflected very well on the overall arrangements it has put in place to embed sound financial and performance management structures.
- 10 Going forward there is the potential to strengthen some of the existing arrangements, namely the continued embedding of risk management and the assurance framework to support the statement on internal control.

Performance Work

- 11 Whilst we issued an unqualified opinion on the Council's Best Value Performance Plan (BVPP), there is scope for improving the Council's arrangements with regards to the accuracy of the Best Value Performance Indicators produced, included in the BVPP and presented for audit.

Action needed by the Council

- 12 The key actions required by the Council to address issues as a result of our work are as follows:
 - Ø There is a need for continued focus on meeting the earlier accounts submission and audit deadlines for 2005-06;
 - Ø Overall arrangements in respect of risk management and the assurance framework to support the statement on internal control should continue to be embedded across the organisation; and
 - Ø Arrangements for the preparation of the Best Value Performance Plan and the accuracy of the some performance indicators need to be strengthened.

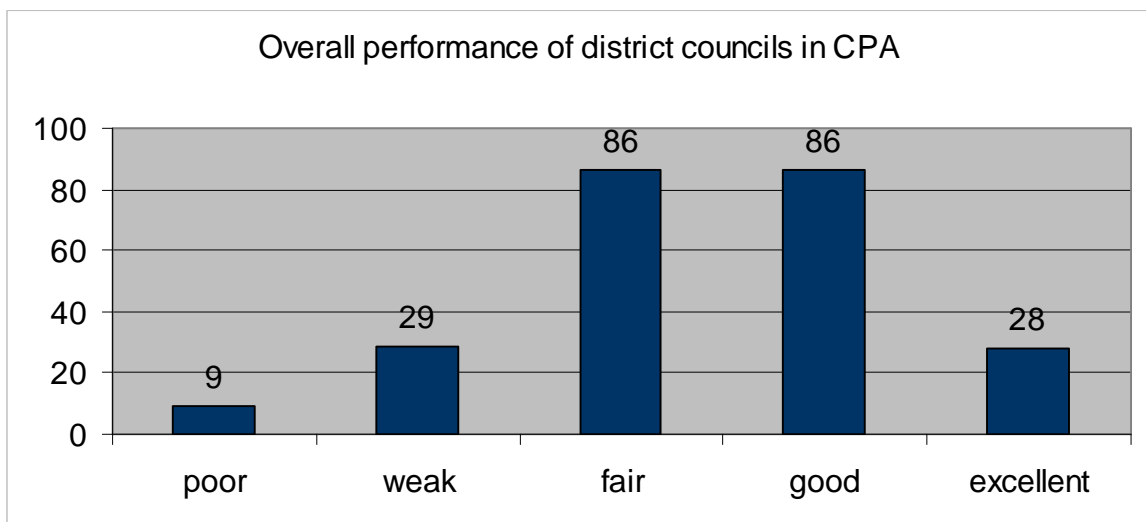
Council performance

Direction of travel report

- 13 Huntingdonshire DC was assessed as 'Excellent' in the Comprehensive Performance Assessment carried out in 2004. These assessments have now been completed in all district councils with the following results.

Figure 1 Overall performance of district councils in CPA

12 percent of Councils are rated as excellent, and three times as many district councils are rated Good or Excellent than Poor or Weak



Source: Audit Commission

Summary

- 14 The Council has made progress on improvement plan priorities since its 2004 District Council Comprehensive Performance Assessment (DCPA). In some cases progress has been significant, in others slower than originally planned, reflecting the challenge of capacity for the Council.
- 15 Performance on Best Value Performance Indicators is mixed across the Council. For example there has been very strong performance in some priority areas such as recycling. Although the Council has tried several different approaches to addressing homelessness this continues to be an area of concern.
- 16 The Council has made significant progress in two major corporate projects: the accommodation project to secure new Headquarters and the opening of a call centre as part of the 'Customer First' initiative.

- 17 Although council tax levels are well below the national average the Council was capped in 2005 as a result of its long term strategy to reduce the subsidy of council tax by using reserves. This led to a reassessment of the financial strategy and a further base budget review. The sustainability of the revised medium term financial strategy is dependent on the Council reviewing its allocation of resources against its priorities and targeting reductions areas which have a low impact on its priorities. The Council is still at the early stages of this process.

Performance against improvement plan priorities

- 18 The Council was rated 'excellent' in DCPA. This section comments on progress with the key DCPA based improvement priorities agreed with the Commission.
- 19 Following DCPA the council developed detailed action plans for each improvement priority. A councillor working group was established to oversee this process and continues to monitor progress on the improvement plan.

Priorities and Vision

- 20 The Council has improved how it communicates its priorities both externally and internally. A range of approaches have been used including District Wide, a quarterly newsletter delivered to every household, a cascaded team briefing to staff and breakfast meetings with the business community.
- 21 The Council has not yet initiated the review programme through which it plans to achieve continuous improvement and a systematic review of its priorities and resource allocation. A pilot is planned to start this financial year to commence the process and develop the methodology.

Performance Management

- 22 The Council has implemented an effective comprehensive performance management framework. Local indicators are being developed to populate the scorecard and regular reports are received by councillors. Internal Audit has reviewed the risks to support the implementation and careful attention has been paid to the cultural change aspects of the balanced scorecard.

Risk Management

- 23 The Council has made improvements but has not yet achieved consistency in implementing risk management across the organisation. Progress on improving

risk management has been slower than planned mainly due to staff and organisational changes. A restructuring has taken place and the internal audit, insurance and risk management functions have been integrated into one service. The restructuring is intended to support embedding risk management across the council's organisation.

Overview & Scrutiny

- 24 The Council is making progress in its plans to develop more effective Overview & Scrutiny. Training has been provided for councillors and was well attended. A new approach to scrutiny has been agreed and a third Overview & Scrutiny panel will go live after the elections in May 2006. A work programme has been developed which, combined with the new structure, is intended to make agendas less congested and more strategic in focus.

Learning & Knowledge

- 25 The Council now has a more systematic approach to sharing learning across the organisation. An example is the "Bright Ideas" innovation scheme which generated more than 30 suggestions in its first 6 months. This has led improvements to in the delivery of services and value for money.

Access and Accommodation

- 26 The Council has recently completed its accommodation review and determined how it will address its future accommodation requirements. A preferred provider has been procured to rebuild the Council headquarters over the next 3 years. The building programme is being closely aligned with the 'customer first' initiative and is planned to improve DDA compliance significantly in 2006/07.

Capacity

- 27 The Council actively manages its capacity, but faces continued challenge to ensure it is able to deliver its priorities. Three base budget reviews have been carried out to develop sustainable medium term financial plans. Two of the three Corporate Directors have recently left the Council and there is also a new Leader and deputy Leader. The accommodation project has consumed capacity and added to pressures on the Council.

Partnership Working

- 28 The Council approaches partnerships positively as a means of enhancing its capacity to deliver priorities. The Partnership framework is currently being developed to enable monitoring and performance management of partnership work.

Procurement

- 29 The Council acknowledges that it has not yet achieved all the benefits of modern procurement methods. The Council is currently embarked on a major procurement project for its new accommodation and is working with other councils and the Regional Centre for Excellence to identify the full range of procurement approaches which support the delivery of efficient, effective and economic services.

Housing

- 30 Housing need is growing faster than the Council has been able to respond. Senior officers and councillors have ensured the issue is on the Council's agenda; significant capital resources are allocated to social housing and the policy has been to increase resources on the prevention of homelessness. These have yet to translate into sustained improvement in performance.

Children and Young People

- 31 The Council is working with the County Council on the Children and Young People's Plan and the organisation and delivery of local services. The Council has adopted the 'Hear by Right' standard to assess and improve practice and policy on the active involvement of children and young people.

Diversity & User Focus

- 32 The Council has more to do to ensure that policies and services meet the diverse needs across the District and promote equality. The Council's equality and inclusion strategy has been revised and a new action plan to deliver improvements is being prepared. Its buildings are not compliant with the DDA, although the accommodation project is planned to address this. The Council considered that it has achieved Level 1 of the local government equality standard, is working towards achieving level 2, and plans to undertake a level 3 self assessment exercise to gain a detailed understanding of the actions needed to achieve the higher level.

Benefits

- 33 The Council continues to seek improvements in its benefits service. It is participating in a Department of Work and Pensions (DWP) funded project to pilot mobile service delivery, in order to reduce time in assessing and verifying benefit claims.

Inspection and Other Performance Work Update

Trend in key performance indicators 2002/3 to 2004/5

- 34 Key Performance Indicators (KPI) demonstrate a mixed picture across the Council with strong performance in recycling and crime reduction, but weaker performance in other areas such as Homelessness and DDA compliance.
- 35 Overall since 2002/03 43% of PIs have improved, but 57% have not improved. 49% of PIs are in the top 2 quartiles. Of 9 PIs that were in the worst quartile in 2002/03, 4 remain in the bottom quartile, and 3 have improved to 3rd quartile.

Progress in implementing plans to sustain future improvements

- 36 The Council is proactive in identifying areas for performance improvement. An example is the establishment of closer monitoring of Section 106 agreements which ensures that developer contributions are collected and used in line with the agreements and timescales.
- 37 The Council plans to introduce a review & improvement programme which will include 2 cross cutting reviews each year from the corporate priorities. The methodology is being developed through a pilot review of 'Safe and Active' communities in March 2006. The Council has had to review its medium term financial strategy following capping in 2005/06. Implementing the review & improvement programme will be critical for the Council as it considers its use of resources and priorities, as part of its medium term financial strategy.
- 38 Performance management is effective in monitoring progress in implementing plans.
- 39 The Council faces challenges to its capacity in the short term with changes in the top management team and a new Leader of the Council and in the medium term as it delivers a major accommodation project.
- 40 The Council is aligning its accommodation project with the customer first initiative. It launched a call centre in September 2005 and will open a temporary customer service centre as an early phase of the rebuilding of the Council headquarters.

Audit of the Best Value Performance Plan

- 41 There currently remains a requirement for all councils to produce a Best Value Performance Plan (BVPP) and for auditors to undertake a compliance audit.

- 42 We assessed the Council's Corporate Plan (which is the Council's BVPP) for compliance against the criteria specified in the ODPM circular 03/2003 and related addendum as well as guidance from the Audit Commission.
- 43 Our audit confirmed that in all significant respects the Council prepared and published its BVPP in accordance with the law and regulations governing it. Accordingly we issued an unqualified audit opinion on the plan with no recommendations made to either the Audit Commission or the Secretary of State.

Best Value Performance Indicators

- 44 We performed a review of the Council's Best Value Performance Indicators (BVPIs) and Audit Commission CPA indicators to ensure that they had been prepared accurately and in accordance with the guidance set out by the Audit Commission.
- 45 As a result of the audit of 2004/05 BVPIs amendments were required to fifteen out of the sixty six Council's indicators, four of which were deemed significant.
- 46 Eight indicators were reserved, which leaves some scope for improvement in the Council's arrangements for the collation and production arrangements in respect of Best Value Performance Indicators going forward.

Accounts and governance

The Council received an unqualified audit opinion on its final accounts and overall, corporate governance arrangements remain satisfactory in most key areas.

Audit of 2004/05 accounts

- 47 The Council's previous external auditors (the Audit Commission) gave an unqualified opinion on the Council's accounts on 28 October 2005.
- 48 Regulation has required that the annual accounts are closed progressively earlier in recent years as part of the drive towards Whole of Government Accounts. The 2004/05 accounts were required to be adopted before 31 July 2005 and those for 2005/06 need to be adopted before 30 June 2006.
- 49 The above does place additional pressure on local government bodies, and will require a tightly controlled closure process backed by comprehensive working papers, audit trails and reconciliations and accurate reporting systems, and a continued focus on the year end for the Council to continue to meet these earlier deadlines.

Report to those with responsibility for governance in the Council

- 50 The Audit Commission was required by professional standards to report to those charged with governance certain matters before giving an opinion on the financial statements. The following summarises the issues set out in the Audit Commission's report, which was sent to all Councillors in early October 2005:
 - Items of account amended by adjustment: - An adjustment of £915K was agreed with officers in relation to central services expenditure to be included within Cultural, Environmental and Planning spending in the revenue account; and
 - Non Distributed Costs: - An agreement was made with officers that the accounting treatment of partially exempt VAT was not correct and should be allocated to the service accounts within the revenue account to which it was incurred. The amount involved in 2004-05 was £390k and an adjustment was not sought. The revised treatment will be followed from 2005-06.

Financial standing

- 51 The financial position reported in February 2006 gave a forecast outturn for revenue expenditure of £545K less than that originally budgeted.

- 52 There are a number of compensating variations at service level but mainly the variance relates to additional investment interest of £565K. This predominately relates to delays in relation to capital expenditure.
- 53 As a result of the above, it is forecast that the Council's revenue and capital reserves will be higher than budgeted at the end of the year.

Systems of internal financial control

- 54 The Audit Commission did not identify any significant weaknesses in the overall control framework.

Internal Audit

- 55 The Audit Commission continued to be satisfied that the quality of the work done by Internal Audit meets the standards set by the CIPFA Code of Practice and obtained assurance from its work whenever possible to complement and limit their own coverage.
- 56 In particular, the external audit relied on Internal Audit's documentation and review of key controls of the main financial systems. Their work in this area has increased significantly in the current year due to the need to comply with new international auditing standards.

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

- 57 The Audit Commission did not identify any significant weaknesses in the Council's arrangements to prevent and detect fraud and corruption.

Legality of transactions

- 58 The Audit Commission did not identify any significant weaknesses in the framework established by the council for ensuring the legality of its significant financial transactions.
- 59 No formal questions or objections were received in relation to the 2004/05 accounts, although the previous auditors considered, as part of the audit, matters raised by a member of the public before certifying completion of the audit.

Use of resources judgements

- 60 The use of resources assessment is a new assessment which focuses on financial management but links to the strategic management of the Authority. It looks at how the financial management is integrated with strategy and corporate management, supports council priorities and delivers value for money. It will be carried out annually, as part of each council's external audit. We anticipate in future the Use of Resources judgements will form part of the CPA framework.

61 We have assessed the Council's arrangements in five areas.

Table 1 Council's arrangements

Element	Assessment
Financial reporting	*2 out of 4 (average was 2.3)
Financial management	3 out of 4 (average was 2.4)
Financial standing	3 out of 4 (average was 2.5)
Internal control	2 out of 4 (average was 1.9)
Value for money	3 out of 4 (average was 2.3)
Overall	3 out of 4 **

** Assessed by the previous external auditors in respect of the 2004/05 accounts*

(Note: 1=lowest, 4=highest)

*** Only 36% of Councils scored 3 or higher overall*

62 In reaching these judgements we have drawn on the above work and supplemented this with a review against specified Key Lines of Enquiry. In our view the main reason that the Council has been able to perform well in this judgement has been the strengths of its financial and performance management systems and processes which provide a sound infrastructure to support the Council in effective use of resources.

63 The most significant areas where further development is needed are:

- Effective embedding of risk management across the organisation;
- The implementation of a formalised assurance framework to support the Statement on Internal Control; and
- An assessment of the standards of ethical conduct across the organisation should be undertaken.
- In addition to the above, there is scope to evidence more effective member challenge both in relation to the scrutiny of the accounts and the evaluation and monitoring of information in relation to performance and quality which feeds into the Council's financial reporting and value for money scores respectively.

Other work

Procurement

- 64 We have undertaken, along with other auditors within Cambridgeshire, a county-wide review of procurement arrangements. The purpose of this review was to assess the progress of procurement arrangements in the Council in relation to good practice and identify any areas of improvement.
- 65 The fieldwork for this review has now been completed and we are currently awaiting a date for formal feedback of our findings through a county-wide officers workshop. Once this has been completed we will be reporting our findings to the Council and developing an action plan for improvements as appropriate.
- 66 This work has been completed as part of our 2005/06 audit and inspection plan and will be reported in detail in the Council's 2005/06 audit and inspection letter.

Grant claims

- 67 In accordance with Strategic Regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims. Whilst the audit of these claims has been reduced in recent years, our ability to reduce further depends on the adequacy of the Council's control environment.
- 68 The Council's arrangements for managing and quality assuring grant claims submitted for audit was summarised good by the previous external auditors.

National Fraud Initiative

- 69 In 2004/05, the local authority took part in the Audit Commission's National Fraud Initiative. 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 housing benefit fraud, occupational pension fraud, tenancy fraud and payroll fraud as well as, new for 2004/05, right to buy scheme fraud and providing new contact details for former tenants with arrears in excess of £1,000.
 - We reviewed the Council's overall arrangements as part of the use of resources assessment and concluded that overall arrangements were satisfactory.

Looking forwards

Future audit and inspection work

- 70 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 Annual Letter.
- 71 We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the Council. 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 and develop an agreed programme by 31 March 2006.

Revision to the Code of Audit Practice

- 72 The statutory requirements governing our audit work, are contained in:
- The Audit Commission Act 1998; and
 - The Code of Audit Practice (the Code).
- 73 The Code has been revised with effect from 1 April 2005. Further details are included in our Audit Plan, which has been agreed with the Performance Scrutiny Committee in May 2005. The key changes include:
- The requirement to draw a positive conclusion regarding the Council's 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

- 74 The CPA framework for District Councils from 2006 is currently subject to consultation. It is expected that the proposed methodology will be published by April 2006 and that the opportunity for re-categorisation will be available for some councils during 2006/07.

Closing remarks

- 75 This letter has been discussed and agreed with management. A copy of the letter will be presented at the Corporate Governance Panel on 27 June 2006.
- 76 The Council has taken a positive and constructive approach to our audit and inspection and we would like to take this opportunity to express our appreciation for the Council's assistance and co-operation.

Availability of this letter

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

Signatures:

Appointed Auditor

P.S.M. Roberts, Roberts LLP

Relationship Manager

Nigel Smith
Audit Commission

March 2006

Appendix 1 – Background to this letter

The purpose of this letter

- 1 This is our audit and inspection 'Annual Letter' for members, which incorporates the Annual Audit Letter for 2004/05, which is presented by the Council's Relationship Manager and Appointed Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Council.
- 2 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 2 for information.
- 3 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 set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.
- 4 Appendix 3 provides information about the fee charged for our audit and inspections.

Audit objectives

- 5 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 your significant financial and operational risks that are relevant to our audit responsibilities.
- 6 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Figure 2.

Figure 2 Code of Audit Practice

Code of practice responsibilities



Accounts

- Opinion.

Financial aspects of corporate governance

7 Reviewing how effectively the Council ensures:

- financial standing;
- systems of internal financial control;
- standards of financial conduct and the prevention and detection of fraud and corruption; and
- legality of transactions with significant financial consequences.

Performance management

- Use of resources.
- Performance information.
- Best Value Performance Plan.

Inspection objectives

8 Inspection work is based around section 10 of the Local Government Act 1999, which requires us to carry out inspections and deliver reports that will:

- enable the Council and the public to judge whether best value is being delivered;
- enable the Council to assess how well it is doing;
- enable the Government to assess how well its policies are being implemented; and
- identify failing services where remedial action may be necessary.

Appendix 2 – Audit and Inspection reports issued

Table 2

Report title	Date issued
Audit Plan	March 2005
Report on the 2004/05 financial statements to those charged with governance (SAS 610)	October 2005
Opinion on financial statements	October 2005
Final Accounts memorandum	January 2006
BVPP opinion and PI audit	December 2005
Use of Resources Report	March 2006
Annual audit and inspection letter (including direction of travel assessment)	March 2006

Appendix 3 – Audit and Inspection fee

Audit and Inspection fee update

Audit area	Plan 2004/05	Actual 2004/05
Accounts	£39,350	£39,350
Financial aspects of corporate governance	£13,050	£13,050
Performance	£26,000	£26,000
Total Code of Audit Practice fee	£78,400	£78,400
Additional voluntary work (under section 35)	Nil	Nil
Total	£78,400	£78,400

Inspection fee update

The full year inspection fee is £2,432.