



Cambridge City Council

CIVIC AFFAIRS

To: Councillors Boyce (Chair), Rosenstiel (Vice-Chair), Dryden, Herbert, Pitt and Ward

Despatched: 2 February 2010

Date: Wednesday, 10 February 2010

Time: 6.00 pm

Venue: Committee Room 1 - Guildhall

Contact: Martin Whelan

Direct Dial: 01223 457012

2nd Circulation AGENDA

- 1 Annual Audit Letter 2009** - Representatives of the Council's External Auditor, The Audit Commission will present the Annual Audit Letter to the Committee and Members will have the opportunity to comment. The Chief Executive sent a copy of this Letter to all members of the Council on 23 December 2009.

Information for the public

Public attendance

You are welcome to attend this meeting as an observer, although it will be necessary to ask you to leave the room during the discussion of matters which are described as confidential.

Public Speaking

You can ask questions on an issue included on either agenda above, or on an issue which is within this committee's powers. Questions can only be asked during the slot on the agenda for this at the beginning of the meeting, not later on when an issue is under discussion by the committee.

If you wish to ask a question related to an agenda item contact the committee officer (listed above under 'contact') **before the meeting starts**. If you wish to ask a question on a matter not included on this agenda, please contact the committee officer by 10.00am the working day before the meeting. Further details concerning the right to speak at committee can be obtained from the committee section.

Fire Alarm

In the event of the fire alarm sounding (which is a continuous ringing sound), you should pick up your possessions and leave the building by the route you came in. Once clear of the building, you should assemble on the pavement opposite the main entrance to the Guildhall and await further instructions. If your escape route or the assembly area is unsafe, you will be directed to safe areas by a member of Cambridge City Council staff.

Annual Audit Letter

Cambridge City Council

Audit 2008/09

December 2009



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Status of our reports

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 non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess the way in which you use your resources. I have then linked this through to our assessment of the way the Council manages its performance and our overall assessment of the Council.

Accounts

- 1 The Council is required to prepare and approve its accounts by the 30 June 2009. The Council met that deadline. The accounts were complete and were supported by a good set of working papers, which enabled me to complete my audit programme by the 30 September deadline.
- 2 We found one material disclosure error in the accounts, and a very small number of non material but not trivial errors. However, these had no impact on the reported outturn and management amended the accounts for these errors.
- 3 As a result of my work, I concluded that the accounts 'presented fairly' the Council's financial position at the 31 March (an unqualified audit opinion) and its income and expenditure for that financial year.
- 4 An enhanced reporting framework (International Financial Reporting Standards) is to apply to all Councils accounts in 2010/11. The Council have developed a project plan to implement these standards and is progressing with the implementation of this plan.

Use of resources

- 5 I assess how the Council makes use of the resources at its disposal to provide local services. A national framework is applied to the assessment, with a score given between 1 (inadequate and below minimum standards) and 4 (performing strongly) in each of three key areas.
- 6 The Council is performing well overall (Level 3). It attained the following scores in the assessment.
 - Level 3 in respect of the way it manages its finances.
 - Level 3 in respect of the way it manages and governs the business as a whole.
 - Level 2 (performing adequately) in respect of the way it manages its people.

Value for money conclusion

- 7 Based on the results of my use of resources assessments, I concluded that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

Managing Performance and Organisational Assessment

- 8 The Audit Commission also assesses how well the Council manages and improves its services and contributes to wider community outcomes. The assessment considers how successful the Council is in delivering its corporate priorities. The priorities have been drawn from what matters most to local people.
- 9 The Council scores 3 out of 4 for managing its performance (using the same scoring mechanism as above for Use of Resources above).
- 10 The use of resources and managing performance assessments are combined to give an overall organisational assessment judgement for the Council. The Audit Commission has determined that the organisational assessment judgement for Cambridge City Council is that it performs well.
- 11 The Council's Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Bedfordshire and Cambridgeshire, Nigel Smith.

Financial standing

- 12 The last year has seen the country enter a significant economic recession on the back of a global economic crisis triggered by the collapse of a number of high profile international banks.
- 13 The consequence locally, is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
- 14 The impacts of the recession will continue to present a challenge to the Council in the coming financial year. I will continue to monitor the Council's response and actions in this key area, with a particular focus on the MTFs, as part of my 2009/10 use of resources assessment.

Audit fees

- 15 I have been able to deliver and conclude my audit programme within the fee that I planned.

Independence

- 16 As the External Auditor appointed to audit the Council, I have to maintain my independence. I can confirm that this audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Recommendations

- 17 I have made one recommendation within this letter, to further develop the arrangements in place at the Council, with the purpose of delivering better outcomes for the Council's residents. The Council should monitor the implementation of this recommendation.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

- 18 I issued an unqualified opinion on the Council's accounts on 23 September 2009, thereby meeting the 30 September deadline set within the Accounts and Audit Regulations 2003. In my opinion the accounts present fairly the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.
- 19 Before giving my opinion, I reported to those charged with governance, in this case the Civic Affairs Committee, on the issues arising from the 2008/09 audit. I issued my report on 22 September 2009.

Accounting issues

- 20 The draft accounts were approved on 29 June 2009, prior to the 30 June deadline specified in the Accounts and Audit Regulations 2003.
- 21 The financial statements submitted for audit were complete and supported by a good quality of working papers.
- 22 We found one material disclosure error in the accounts, and a very small number of non material but not trivial errors. However, these had no impact on the reported outturn and management amended the accounts for these errors.
- 23 I did not identify any significant weaknesses in the Council's internal control arrangements and the Council's annual governance statement met with requirements. The Council's internal audit team comply with the requirements of the CIPFA Code. The financial systems underpinning the accounts continue to operate with sound controls in place. Internal audit have reviewed these systems and made a number of recommendations. I support the implementation of these recommendations as a way of strengthening the Council's control environment.
- 24 I presented my Annual Governance Report to the Council on 23 September 2009 which included the full details of the issues arising from our audit of the accounts.

Certification of claims and returns

- 25 We certify the Council's claims and returns on the following basis.
- Claims below £100,000 are not subject to certification.
 - Claims between £100,000 and £500,000 are subjected to a reduced, light-touch certification.
 - Claims over £500,000 are subjected to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment leads to a reduced certification approach for these claims.
- 26 We certified a total of six of the Council's claims and returns. All the claims were certified by the required deadline and were supported by appropriate working papers. Small amendments were required to the housing benefits return. The reasons for the amendments are not significant and there are therefore no matters to report to those charged with governance.

International Financial Reporting Standards

- 27 International Financial Reporting Standards (IFRS) will be first applied to local government accounts for the first time in the 2010/11 financial year. However, comparative figures for the 2009/10 financial year will be required and therefore work to prepare for this needs to be in progress.
- 28 Applying IFRS will have significant implications for the way in which local authorities prepare their annual financial statements. The Council have a detailed project plan in place, with clear roles and responsibilities, and progress is regularly monitored.

Financial standing

- 29 The last year has seen the country enter a significant economic recession. The consequence locally, is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound position.
- 30 The Council has taken account of the impact of the economic recession as part of its budgeting process and built these factors into its comprehensive Medium Term Financial Strategy. It has identified that it must make significant savings over the next three years and is currently reviewing its services and analysing its costs to identify further efficiencies.
- 31 The impacts of the recession will continue to present a challenge to the Council in the coming financial year. I will continue to monitor the Council's response and actions in this key area as part of my 2009/10 use of resources assessment.

- 32** Investments of £9m were placed with Icelandic banks between January and September 2008. These were made in accordance with the Council's Treasury Management strategy and systems, which are in line with CIPFA guidance. The Council's reserves and balances are sufficient to ensure there has been no significant impact on the Council's service delivery as a result of these investments.

Value for money and use of resources

I considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 33** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 34** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 35** The Council's use of resources theme scores are shown in Table 1 below.

Table 1 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	2
Overall score	3

- 36** The key findings and conclusions for the three themes, and the underlying KLOE, were set out in my detailed Use of Resources report which was presented to the Civic Affairs Committee on 18 November. The key theme findings are summarised overleaf.

Managing finances

- 37 The Council continues to demonstrate strong strategic medium term planning and budgeting. The Council engages well with stakeholders and continues to monitor their spending closely and effectively. As in previous years, the accounts presented for audit were of a high standard of accounts and are supported by an efficient closedown programme and comprehensive working papers. The Council clearly understands its costs and makes good use of benchmarking.

Governing the business

- 38 The Council's Annual Statement includes a clear vision of intended outcomes for local people, which is used to shape procurement decisions. There is analysis and understanding of need through the Council's biennial survey and a BME booster survey gathers minority views. The Council operates a devolved model of procurement within the parameters of the corporate procurement strategy. There have been some collaborative exercises and the Council derives benefits from the use of framework contracts. Savings of approximately £300,000 have been achieved. However, weaknesses in procurement were identified by Internal Audit's review of Folk Festival ticketing, which resulted in a loss to the Council of £600,000.
- 39 The Council has robust processes for data quality and monitors performance against its priorities and targets. Performance and financial information is used to identify and address underperformance. The Council's Constitution reflects the principles of good governance and there is a proactive and effective programme of counter fraud and corruption work which promotes a zero tolerance culture.

Managing resources

- 40 Workforce planning and HR policy development has improved markedly since HR was centralised in 2008 and the appointment of new Head of HR in April 2008. The Council has successfully managed some significant business review and change exercises, most notably the Customer Access Strategy. There remain a number of work streams in place which now need to be taken forward. In particular, a Corporate Workforce Plan is in development and an overall skills gap analysis has not yet been completed.

Recommendation

R1 Consider and address the areas for improvement outlined in our Use of Resources report.

VFM conclusion

- 41 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.

- 42 Based on the Use of Resources assessment, which was linked to the criteria set out above, I was able to issue an unqualified conclusion, stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Managing performance

- 43 The Audit Commission also assesses how well the Council manages and improves its services and contributes to wider community outcomes. The assessment considers how successful the Council is in delivering its corporate priorities. The priorities have been drawn from what matters most to local people.
- 44 The Council scores 3 out of 4 for managing its performance (using the same scoring mechanism as for the Use of Resources assessment).
- 45 It is improving in most areas that are important to local people, but the rate of improvement has slowed. The Council manages waste and recycling well and the streets of the city are clean. Benefits applications are processed more quickly and more accurately. However, homeless people are staying longer in temporary accommodation; the economic recession has reduced the number of affordable homes being built; and planning applications are being processed more slowly.
- 46 Access to Council services has improved. More services are available in its customer service centre and customer satisfaction is high. It provides better for the needs of less able or disadvantaged groups. The website has become easier to use.
- 47 Over 87 per cent of local people are satisfied with the local area as a place to live, the best score compared to other similar places. Cambridge City was the best district nationally for people who agree they can influence decisions in their area. Cambridge City was the best council in the county for: the percentage (40.8) of people agreeing that the Council provide value for money; and the percentage (50.3) satisfied with the way the Council runs things.
- 48 The Council has ambitious plans for the future which are relevant to local people and these plans dovetail with those of partners. Councillors and senior managers work well together. Good plans and good performance management are in place to deliver improvement.

Organisation assessment

- 49 The use of resources and managing performance assessments are combined to give an overall organisational assessment judgement for the Council. The Audit Commission has determined that the organisational assessment judgement for Cambridge City Council is that it performs well.

Audit fees

50 The actual audit fee is in line with the budget, as outlined in Table 2 below.

Table 2 **Audit fees**

	Actual	Planned	Variance
Financial statements and annual governance statement	£77,788	£77,788	£0
Use of resources 2007/08	£14,954	£14,954	£0
Data quality 2007/08	£9,990	£9,990	£0
Whole of government accounts	£2,400	£2,400	£0
Total audit fees	£105,132	£105,132	£0
Certification of claims and returns	£20,000	£20,000	£0
Total	£125,132	£125,132	£0

Closing remarks

- 51 I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present this letter at the Civic Affairs Committee on 10 February 2010 and will provide copies to all Members.
- 52 Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Table 3

Report	Date issued
Audit and inspection plan	June 2008
Annual governance report	September 2009
Opinion on financial statements	September 2009
Value for money conclusion	September 2009
Use of resources report	November 2009
Annual audit letter	December 2009
Managing Performance and Organisational Assessment	December 2009

- 53 The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Availability of this letter

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

Debbie Hanson
 District Auditor
 December 2009

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Audit Letter 2008/09 Recommendations						
10	R1 Consider and address the areas for improvement outlined in our Use of Resources report.	2				

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

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