

Annual Audit and Inspection Letter

January 2006



Annual Audit and Inspection Letter

Gateshead Metropolitan Borough Council

Audit 2004/2005

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- 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.

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Key messages

Council performance

- 1 Under the new Comprehensive Performance Assessment (CPA) framework, the Council has been judged to be three-star overall, improving well and performing adequately in its use of resources. The Council's good track record in improving priority services is well recognised and reflected by education and social care performance, which is highly rated. In order to sustain improvement, the Council is continuing to develop its planning and performance framework and capacity to ensure future progress remains good. The Council is developing its approach to securing value for money and is focusing on reducing its costs in both high spending areas and non-priority areas. However, the Council recognises that there is room for improvement in some areas.

The accounts

- 2 We gave an unqualified opinion on your 2004/05 accounts.

Financial position

- 3 The financial position remains sound overall. The Council, along with other councils in the region, faces a number of financial pressures including uncertainties over future grant funding settlements and increasing costs due to single status and pensions. With this in mind the Council recognises it cannot continue to use reserves at current levels without risking its financial position and the latest medium-term financial strategy reaffirms plans to redirect £12 million of expenditure into improvement priorities over the three years to 31 March 2008. The need to continue efforts to improve income collection is acknowledged.

Other governance issues

- 4 Overall corporate governance arrangements remain sound, although our work on the use of resources has identified scope for improvement in a number of areas. In particular, the Council recognises the need to continue to develop its financial management arrangements in certain areas, continue to embed risk management and respond to recent guidance on audit committees.

Action needed by the Council

- 5 The Council recognises the need to:
- strengthen quality assurance processes prior to the approval of the draft accounts;
 - carry out a regular review of reserves and balances based upon a thorough understanding of need and risk;
 - continue efforts to improve collection rates;
 - continue to develop financial management arrangements in a number of areas;
 - respond to recent CIPFA guidance on audit committees; and
 - continue to improve the effectiveness of risk management arrangements across the Council.

Performance

Under the new Comprehensive Performance Assessment (CPA) framework, the Council has been assessed as improving well with a three-star rating. The Council has a track record of improving its priority services, which is particularly evident in education and social care. The service provided by the Gateshead Housing Company has also recently been re-assessed as good (two-star) with promising prospects for improvement. Access to, and quality of, service has improved for citizens. The planning and performance framework continues to develop and capacity to ensure future progress remains good. The approach to value for money is developing and although the Council has relatively high costs in some areas and a high headline council tax this is reflected in generally good service performance with high levels of satisfaction. The Council is focusing on reviewing its costs in both high spending areas and non-priority areas and is looking at different delivery models to achieve this.

Progress has been made in strengthening quality assurance processes to ensure robust information is used to manage performance, though there is some scope for further improvement.

CPA scorecard

- 6 The CPA judgements this year have been made using the revised methodology: CPA - the harder test. As the title implies, CPA is now a more stringent test, with more emphasis on outcomes for local people and value for money. We have also added a new dimension, a Direction of Travel judgement, which measures how well the Council is improving. Under the new framework the Council is improving well and its overall CPA category is three-star.

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	3: Improving well
Overall	3 star
Current performance	
Children and young people	4 out of 4
Social care (adults)	3 out of 4
Use of resources	2 out of 4
Housing	3 out of 4
Environment	3 out of 4
Culture	4 out of 4
Benefits	3 out of 4
Corporate assessment/capacity to improve (not reassessed in 2005)	4 out of 4

(Note: 1=lowest, 4=highest)

- 7 The Council has a track record of improvement in its priority services and in the contribution it makes to the wider community. Education and social care services are performing well and continue to improve. Major regeneration schemes have brought new jobs. Some aspects of housing performance are improving. The Council has improved services to its diverse communities, providing value for money particularly on its community strategy priorities. Access and quality of services have improved for all its citizens and hard-to-reach groups are more involved. The Council continues to enhance its planning and performance framework, including a Council-wide corporate improvement plan, taking its priorities from the community strategy and actions from a range of other sources. The Council has improved its capacity, through external funding and successful partnerships. High sickness absence remains a capacity issue but action is being taken to address this. There are no significant corporate governance issues preventing improvement levels being sustained.

Direction of Travel report

- 8 The Council has a track record of improvement in its priority services. In particular, children's services, adult social care and transport are performing well. However, indicators in relation to corporate health and housing are not performing as well. Overall 59 per cent of performance indicators showed an improvement, with 60 per cent of core service indicators in the top two quartiles. Although only 9 out of 22 performance indicators on satisfaction improved, satisfaction with the Council and its services is still generally above average.
- 9 Education attainment remains good and continues to improve. Of 11 school improvement indicators, 10 are in the top two quartiles. Overall, social care achieved a three-star rating with excellent prospects for improvement this year and 70 per cent of indicators sit within the top two bands of CSCI's performance assessment framework. The Council has also been awarded beacon status for its work on healthier communities. Environment indicators show mixed performance. Although satisfaction with recycling facilities, waste collection and waste disposal remains in the top quartile, some areas such as dealing with major planning applications have seen drops in performance. A recent inspection showed that Gateshead Housing Company has addressed the weaknesses identified in last year's inspection and significantly improved the standard of services delivered to its 23,000 tenants and leaseholders. However, there remains scope for further improvement in housing as three quarters of indicators sit in the bottom two quartiles and only five improved in 2004/05. In relation to community safety, domestic burglaries, robberies, vehicle crime and violence against the person have all reduced although there remains scope for improvement in areas such as sexual offences and racial incidents.
- 10 The Council has developed some major regeneration schemes particularly around Gateshead Quays, which have created 700 jobs. The number of VAT registered businesses has also increased by 3 per cent. Although overall unemployment remains static, the percentage of people living in low income households fell by 8 per cent.

- 11 The Council continues to work with the wider community to develop better services particularly in housing, neighbourhood management, customer service and sport outreach work. For example, tenants are now more involved in shaping services and are better informed about services available. A survey of tenants indicated that 91 per cent were satisfied with opportunities for involvement.
- 12 Access and quality of service is being strengthened through a customer services strategy and the use of IT to increase the range of ways in which the community accesses services. The use of kiosks throughout the borough, the ability to contact the Council at any time to request services electronically and the availability of a number of online forms makes it easier for customers. The accessibility of Council buildings for disabled people has also improved. Five area executive forums have been established to improve focus on local issues and priorities. Each has developed their area plan in consultation with their communities and the plans outline how the Council and its partners will address these issues. A number of initiatives are in place to enhance engagement with black and minority ethnic (BME) communities, including diversity forums with young BME groups and a corporate equality group involving senior officers.
- 13 The Council is developing its approach to value for money (VfM) through its medium-term financial strategy. This recognises the need to achieve £12 million in cashable savings between 2005/06 and 2007/08 to allow the Council to meet the objectives set out in its improvement plan. Local area agreements will further enhance opportunities to identify and achieve more efficient use of resources through working in collaboration with partners. The Council has relatively high costs in some areas and a high headline council tax although this is reflected in generally good service performance with high levels of satisfaction. The Council is focusing on reviewing its costs in both high spending areas and non-priority areas and is looking at different delivery models to achieve this, ie moving from high-cost residential placements to supporting more people in their homes. It is also working with partners to improve VfM, for example working with South Tyneside Metropolitan Borough Council on building schools for the future. The Council is continuing to develop its approach to corporate procurement to ensure it plays a more prominent role in delivering VfM.
- 14 The Council has developed a single composite improvement plan which draws together improvement actions from a range of sources. The improvement plan 2005/06 is a robust plan that sets out what the Council wants to achieve to deliver its vision and key objectives. Although it sets out responsibilities for achieving targets, it does not identify the costs involved in achieving specified actions and how these will be funded. The thematic groups within the Gateshead Strategic Partnership also have a range of plans and through the local area agreement, a detailed plan is being developed, showing how major outcomes for local people will be delivered. The plans and targets for delivery are generally sound although some require baselines and targets to be set before progress can be monitored.

- 15 Improvement planning is monitored within an overall policy, planning and performance management framework that is currently being strengthened through implementation of a new IT-based corporate performance management system. Separate toolkits have also been developed and are being used throughout the Council via the performance management contacts within each Group. The improvement plan update report is a very thorough document that highlights where milestones have been met or not, and sets out the action needed to ensure the milestone is met.
- 16 Although the Council achieved over half of its targets in 2004/05, the number of missed suggests the need for targets to be reviewed to ensure they are stretching but achievable. Progress on achieving the targets in the Local Public Service Agreement is mixed but the Council expects to achieve most, if not all, of its stretch targets.
- 17 The Council can demonstrate that it has worked hard to increase its capacity to deliver its plans. It has increased resources to poorly performing areas and made difficult decisions, eg the establishment of Gateshead Housing Company. It has also been successful in attracting large amounts of external funding and support from a range of partners to deliver better services. A key issue remains performance on human resources indicators, all of which are in the worst quartile including high levels of sickness absence. Action is being taken to address this.
- 18 Funding resources are in place for the Gateshead Strategic Partnership, the responsibilities of partners have been defined and monitoring processes are in place to ensure that sufficient capacity exists to deliver the community strategy.
- 19 Corporate governance arrangements are sound and the Council is continuing to strengthen its approach to financial planning through the development of its policy, service planning and performance management framework. The Council has developed a sound framework for managing risk, although further progress is needed before this is fully effective. Overall, sound systems of internal control are in place.

Performance information

- 20 The Council's arrangements for producing best value performance indicators continue to improve. However, there is a need to further strengthen quality assurance arrangements for other types of performance data to ensure robust information is used to manage and report performance both internally and externally.

Other Audit Commission inspections

- 21 In September 2005, the housing management and maintenance service provided by the Gateshead Housing Company was re-inspected and assessed as good (two-star) with promising prospects for improvement. The company has addressed the weaknesses identified by last year's one-star inspection and significantly improved the standard of services delivered to its 23,000 tenants and leaseholders. This will allow it to access government ALMO funding to bring the Council's properties up to the decent homes standard by 2010.

Working with other inspectorates and regulators

- 22 An important aspect of the role of the relationship manager is to work with other inspectorates and regulators who also review and report on the Council's performance. These include:
- Ofsted;
 - Commission for Social Care Inspection (CSCI);
 - Benefits Fraud Inspectorate (BFI);
 - DfES; and
 - Local Government Office contact.
- 23 We share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates (Table 2).

Table 2 Assessments from other inspectorates

The Council has received positive assessments from other inspectorates

Inspectorate	Activity	Assessment
Ofsted/CSCI	Annual performance assessment for children's services, including social care and education.	Serving people well with excellent capacity to improve
CSCI	Annual performance assessment for adult social care.	Serving most people well with promising capacity to improve
BFI	Annual assessment.	Good

Accounts and governance

We have given your accounts an unqualified audit opinion.

Your overall corporate governance arrangements are satisfactory in most key areas. However, our work on the use of resources for CPA identified scope for further improvement in areas including accounts preparation processes, specific aspects of financial management, risk management and audit committee arrangements.

Audit of 2004/05 accounts

- 24 We gave an unqualified opinion on the Council's accounts on 27 October 2005.

Report to those with responsibility for governance in the Council

- 25 We reported to those charged with governance (in this case to the full Council) that there were no outstanding matters of concern before we gave an opinion on the financial statements.

Matters arising from the final accounts audit

- 26 The published accounts are an essential means by which the Council reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. Members approved the Council's annual accounts on 27 July 2005.
- 27 We have not identified any major areas of concern in relation to the Council's approach to financial reporting, though some scope remains to strengthen quality assurance processes prior to the approval of the draft accounts. This is recognised and plans are in place to secure improvement in future years.
- 28 In last year's Annual Audit and Inspection Letter we emphasised that timeliness in producing the accounts will become increasingly important over the next few years, as the deadline for completion of the accounts is brought forward in line with the Government's requirement. Whilst the accounts have been prepared to meet the requirements this year, the deadlines will become increasingly more difficult to achieve and will require early planning and thoughtful scheduling of key meetings next year. Officers have already started to review processes to ensure that 30 June 2006 deadline is met.

Financial standing

- 29 The Council's financial position is sound overall, but our work on the use of resources has identified scope to strengthen particular aspects of the Council's financial management arrangements. There is also a recognised need to continue to improve income collection rates.

General fund spending and balances

- 30 At the end of the financial year, reserves and balances totalled £61 million. Of this amount, £53 million was set aside in earmarked reserves and the remainder in the general reserve. Although the Council has adopted a policy on the use of these reserves, increasing financial pressures highlight the need to undertake a regular review of the risks associated with reserves, to ensure they are sufficient and remain relevant.
- 31 The 2005/06 budget is under increasing pressure in a number of areas and latest estimates predict an overspend of £1.2 million. Although plans are in place to reduce this figure, pressures in certain areas such as social services continue to make it difficult to contain spending within the overall budget. All of these factors emphasise the need for the Council to maintain its record on managing budgetary performance and strengthen those areas where there is scope for improvement to ensure that:
- sufficient focus is given to high risk or volatile areas, such as social services;
 - budgets are clearly linked to relevant operational activity indicators, particularly where service costs are 'demand-led'; and
 - the level of scrutiny over budgets is determined by an assessment of risk.

Future prospects

- 32 The 2005/06 budget involves using £5 million of reserves to support the overall budget and the Council recognises it cannot continue to use reserves at this level without risking its longer term financial stability. With this in mind the latest medium-term financial strategy confirms the need to redirect £12 million of spending into priority areas over the three years to 31 March 2008. This is particularly important given the uncertainties over future funding regimes and the impact of future financial pressures such as the increasing costs associated with single status and pensions.
- 33 These factors emphasise the importance of robust medium-term financial planning processes and the Council is continuing to strengthen its approach through the development of its policy, service planning and performance management framework. However, the Council recognises the need to further develop its arrangements, to ensure that the longer-term impact of other plans and strategies are fully reflected in the medium-term financial strategy. This will assist the Council in prioritising its services and the need for resources in future years.

Income collection and arrears

- 34** Performance on collecting business rates improved and moved out of the bottom quartile in 2004/05 (Table 3). Arrears also reduced during the year. In contrast, the collection rate for council tax fell significantly in 2004/05 and arrears also increased by nearly 40 per cent. A key reason for this was the need to invest significant resources in implementing the new housing benefit and council tax system during the year. However, collection rates have improved in 2005/06 to date and arrears reduced to £6.1 million by the end of November 2005. The collection rate for housing rent also fell during 2004/05 although this had recovered to 96.9 per cent by the end of November 2005. This was reflected by increasing arrears, although much of this relates to current tenants.
- 35** The Council continues to hold prudent provisions for non-payment and recognises the need to maintain efforts to collect outstanding arrears.

Table 3 Income collection

The Council recognises the need to maintain efforts to improve collection and reduce arrears

Progress on collection rates	Progress on arrears
<p>Business rates (NNDR) Collection increased from 97.7 per cent to 98 per cent in 2004/05 and the target of 98 per cent was achieved. Performance moved from the bottom to the third quartile for single tier and district councils.</p>	<p>Arrears decreased by £0.1 million to £1.5 million in the year to 31 March 2005.</p>
<p>Council tax Collection fell from 95.1 per cent to 93.1 per cent in 2004/05. This was below the target of 95.5 per cent and performance remains in the bottom quartile for single tier and district councils.</p>	<p>The decrease in collection rates during the year is reflected in an increase in arrears from £5.7 million to £7.9 million at 31 March 2005.</p>
<p>Housing rents Collection fell from 96.7 per cent to 96.1 per cent in 2004/05. This was below the target of 96.9 per cent and performance fell into the bottom quartile for single tier and district councils.</p>	<p>Total arrears increased by £0.9 million to £6.4 million this year. Much of this increase relates to current tenants, which have increased by £0.5 million to £3.8 million. Reflecting this, the provision in respect of uncollectible debts has increased by £0.6 million to £3.9 million.</p>

Source: 2004/05 best value performance indicators and financial statements

Systems of internal financial control

- 36 The Council has established generally sound overall arrangements for managing risks and monitoring the operation of its system of internal control. However, there remains scope to strengthen the Council's approach to corporate governance in certain areas before it is fully embedded and effective.

Internal Audit (IA)

- 37 A detailed review during 2005 identified that IA generally meets the standards set out in the revised CIPFA Code and manual, and is taking action on those areas where further improvement is needed. Despite this ongoing commitment to improvement, there remains scope for strengthening IA's approach against CIPFA's operational standards in particular areas. Internal Audit have recently introduced a computerised audit software package, which records all stages of the audit process, which will help address many of the issues identified above.
- 38 Another recognised area for development relates to the need to strengthen the Council's existing audit committee arrangements in line with CIPFA's *'Audit Committees: Practical Guidance for Local Authorities'*. This is recognised and we will continue to work closely with the Council as it develops its approach over the coming months.

Risk management

- 39 Last year, we reported that the Council had implemented a robust corporate framework to manage risks at both strategic and operational levels. However, at that time there remained a need to further embed risk management within the Council. Reliance was placed on corporate risk management to initiate the identification, assessment and management of risks on an annual basis rather than services developing local processes that adhere to the corporate framework.
- 40 Follow-up work in 2005 indicates that the Council has continued to make progress on risk management, including the further development of the risk management policy, the commissioning of Zurich Municipal to investigate the area of performance indicators, providing heads of service with briefings and supporting guidance on the importance of embedding risk management, linking each strategic and operational risk to service plans and the consideration in more detail of the risks that relate to partnerships. The Council also continues to improve member engagement and training is planned for the committee responsible for risk management in addition to other members. Other initiatives are planned including a lead Member and the inclusion of risk management within Cabinet reports.
- 41 Key areas for improvement remain the need to continue to embed risk management across the Council, improve member engagement, develop the way in which partnership risks are managed and strengthen reporting arrangements.

Housing market renewal pathfinder

- 42 A clear programme and project management framework has been established, supported by robust systems at both Bridging Newcastle Gateshead (BNG) and the Council. Sound financial management processes are also in place and arrangements for securing value for money (VfM) continue to evolve in response to the government's efficiency agenda. Considerable progress has also been made in developing a clear accountability framework for BNG. Whilst BNG has implemented stronger risk management processes, it remains important that the Council's own risk management arrangements better reflect the strategic and operational risks specific to Gateshead.

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

- 43 We have not identified any significant weaknesses in the Council's arrangements to prevent and detect fraud and corruption.

Legality of transactions

- 44 We have not identified any significant weaknesses in the framework established by the Council for ensuring the legality of its significant financial transactions.

Information governance

- 45 The Council has established a strong corporate framework to comply with legislation that governs the management of information, including the Data Protection Act (DPA) and Freedom of Information Act (FoIA). This reflects the significant resources that were committed to setting up a Council-wide framework for freedom of information compliance in 2004 and further improvements in relation to DPA during 2005. Our review did not highlight any recommended improvements.

Use of resources judgements

- 46 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. For single tier and county councils, the use of resources assessment forms part of the CPA framework.
- 47 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in five areas.

Table 4

Element	Assessment
Financial reporting	2 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
Overall	2 out of 4

(Note: 1=lowest, 2=adequate, 4=highest)

- 48** In reaching these judgements, we have drawn on the above work and supplemented this with a review against specified key lines of enquiry.
- 49** The Council is assessed as 'performing adequately' for all five themes but recognises the need for further development in certain areas. Action is already underway to address the most significant areas where further development is needed, including the need to:
- strengthen quality assurance processes prior to the approval of the draft accounts;
 - carry out a regular review of reserves and balances based upon a thorough understanding of need and risk;
 - develop budget management processes to ensure sufficient focus is given to high risk or volatile areas and link budgets clearly to relevant activity indicators, particularly where service costs are 'demand-led';
 - further develop arrangements to ensure that the longer-term impact of other plans and strategies are fully integrated with the medium-term financial strategy;
 - develop audit committee arrangements in line with CIPFA guidance; and
 - continue to improve the effectiveness of risk management arrangements across the Council.

Other work

Grant claims

- 50 In accordance with strategic regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims. We have reduced our audit of these claims but our ability to reduce further depends on the adequacy of the Council's control environment.
- 51 The Council's arrangements for managing and quality assuring grant claims submitted for audit have improved in recent years. Almost all grant claims were submitted for audit by the due date and were accompanied by good supporting working papers.

National Fraud Initiative

- 52 In 2004/05, the local authority took part in the Audit Commission's National Fraud Initiative (NFI). 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.
- 53 The Council has adopted good arrangements to address issues arising from the NFI, which initially flagged up over 900 cases, of which 156 were referred for further investigation. Overpayments of almost £20,000 have been identified so far and various sanctions are in the process of being implemented.

Looking forwards

Future audit and inspection work

- 54 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. Our planned work, together with that of other inspectorates, is included on both the Audit Commission and LSIF (Local Services Inspectorates Forum) websites.
- 55 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 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.

Revision to the Code of Audit Practice

- 56 The statutory requirements governing our audit work, are contained in:
- the Audit Commission Act 1998; and
 - the Code of Audit Practice (the Code).
- 57 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 Council in March 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.

Closing remarks

- 58 This letter has been discussed and agreed with the Chief Executive, Strategic Director - Assistant Chief Executive and the Strategic Director - Finance and ICT. A copy of the letter will be presented to a joint meeting of the Cabinet and Corporate Vitality Overview and Scrutiny Committee in February 2006.
- 59 As a result of the Audit Commission's policy on auditor rotation, Lynne Snowball has now replaced me as the Council's District Auditor and Relationship Manager. With this in mind, I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation in ensuring a positive and constructive approach to our audit and inspection work.

Availability of this letter

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

David Jennings
District Auditor and Relationship Manager
January 2005

Appendix 1 – Background to this letter

The purpose of this letter

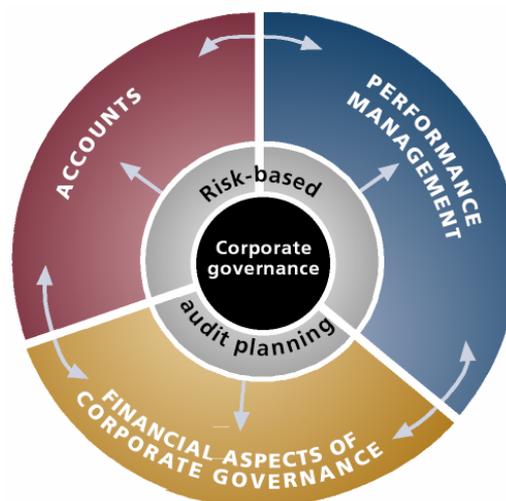
- 1 This is our Audit and Inspection ‘Annual Letter’ for members which incorporates the Annual Audit Letter for 2004/05, which is presented by the Council’s Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections 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 1.

Figure 1 Code of Audit Practice

Code of practice responsibilities



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

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.

Performance management

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

Appendix 2 – Audit reports issued

Table 5

Report title	Date issued
Audit and Inspection Plan*	March 2005
Information Governance	May 2005
Managed Audit Protocol*	June 2005
Internal Audit Protocol*	June 2005
Housing Market Renewal Pathfinder	July 2005
Auditors Report on the Best Value Performance Plan*	September 2005
Review of Internal Audit	September 2005
Performance Information Audit*	November 2005
BS7799 Gap Analysis Follow-up	October 2005
Risk Management Follow-up	October 2005
Initial Review of the Financial Statements	August 2005
Report on the 2004/05 Financial Statements to Those Charged with Governance (SAS 610)	October 2005
Audit Opinion	October 2005
Final Accounts Memorandum	December 2005
Gateshead Housing Company - Arms Length Management Organisation Inspection	November 2005
Use of Resources Assessment	November 2005
Direction of Travel Report and Scorecard <i>* this report relates to 2005/06 audit year</i>	November 2005

Appendix 3 – Audit fee

Table 6 Audit fee update

Audit area	Plan 2004/05	Actual 2004/05
Accounts	£58,000	£58,000
Financial aspects of corporate governance	£150,000	£150,000
Performance	£45,000	£45,000
Total Code of Audit Practice fee	£253,000	£253,000
Additional voluntary work (under section 35)	£14,000	£14,000
Total	£267,000	£267,000

Inspection fee update

- 8 The full-year inspection fee is £14,000. The work reported in this Audit and Inspection Letter has been funded by an element of the fee covering 2004/05 and by an element of the fee covering 2005/06. In both years the actual fee will be in line with that planned.