

Annual Audit and Inspection Letter

January 2006



Accountants &  
business advisers

# Annual Audit and Inspection Letter

London Borough of Richmond Upon Thames

Audit 2004-2005

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- 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.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

\* The Council's appointed auditors are required, under the Audit Commission's Code of Audit Practice, to issue an Annual Audit Letter, summarising how the Code's objectives have been addressed and the significant issues arising from our work. The appointed auditors are Michael Haworth-Maden, District Auditor, for financial year 2004/05 and PKF for financial year 2005/06. The work summarised in this letter focuses principally on financial year 2004/05. However, as it also comments on more current work/issues, the letter is jointly signed. This approach recognises the close working arrangements adopted by the appointed auditors during the transition/handover period. The letter also summarises inspection work undertaken during 2005 by the Audit Commission in accordance with its responsibilities under section 10 of the Local Government Act 1999. Michael Haworth-Maden plans that inspection work in his continuing role as the Audit Commission's Relationship Manager for the Council.

## **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.

## **Copies of this report**

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# Contents

<b>Key messages</b>	<b>5</b>
Council performance	5
Accounts and governance issues	5
Action needed by the Council	5
<b>Performance</b>	<b>6</b>
CPA scorecard	6
Direction of Travel report	7
Other Audit Commission inspections	8
Other performance work	9
Performance information	10
Working with other inspectorates and regulators	11
<b>Accounts and governance</b>	<b>12</b>
Audit of the 2004/05 accounts	12
Financial standing	13
Systems of internal financial control	14
Standards of financial conduct and the prevention and detection of fraud and corruption	15
Legality of transactions	16
Use of resources judgements	16
<b>Other work</b>	<b>18</b>
Grant claims	18
<b>Looking forward</b>	<b>19</b>
Future audit and inspection work	19
Revision to the Code of Audit Practice	19
<b>Closing remarks</b>	<b>20</b>
<b>Appendix 1 – Background to this letter</b>	<b>21</b>
The purpose of this letter	21
Audit objectives	21

<b>Appendix 2 – Reports issued during 2005</b>	<b>23</b>
<b>Appendix 3 – Audit and inspection fees</b>	<b>24</b>

## Key messages

### Council performance

- 1 The Council is improving well and has achieved an overall Comprehensive Performance Assessment (CPA) of three stars. The Council maintains focus on its priorities through an effective performance management system, with an increasing emphasis on value for money. The Council is harnessing its strategic capacity to drive improvement. The Council has robust plans and a history of improving services that demonstrates the capacity to sustain improvement.

### Accounts and governance issues

- 2 We issued an unqualified opinion on the Council's 2004/05 accounts on 20 December 2005.
- 3 The Council's financial position continued its improving trend of recent years. As a result, the general fund balance increased to £13.4 million at 31 March 2005. This now represents 7.4 per cent of net revenue expenditure. This is at the upper end of the Council's target range.
- 4 The Council's Statement of Internal Control for 2004/05 considered a number of issues in respect of the Council's new financial systems and the mitigating actions taken or being taken by management.
- 5 There has been considerable work to promote an anti-fraud and corruption culture locally.
- 6 We have not identified any significant weaknesses in the framework established by the Council for maintaining the legality of its significant financial transactions.

### Action needed by the Council

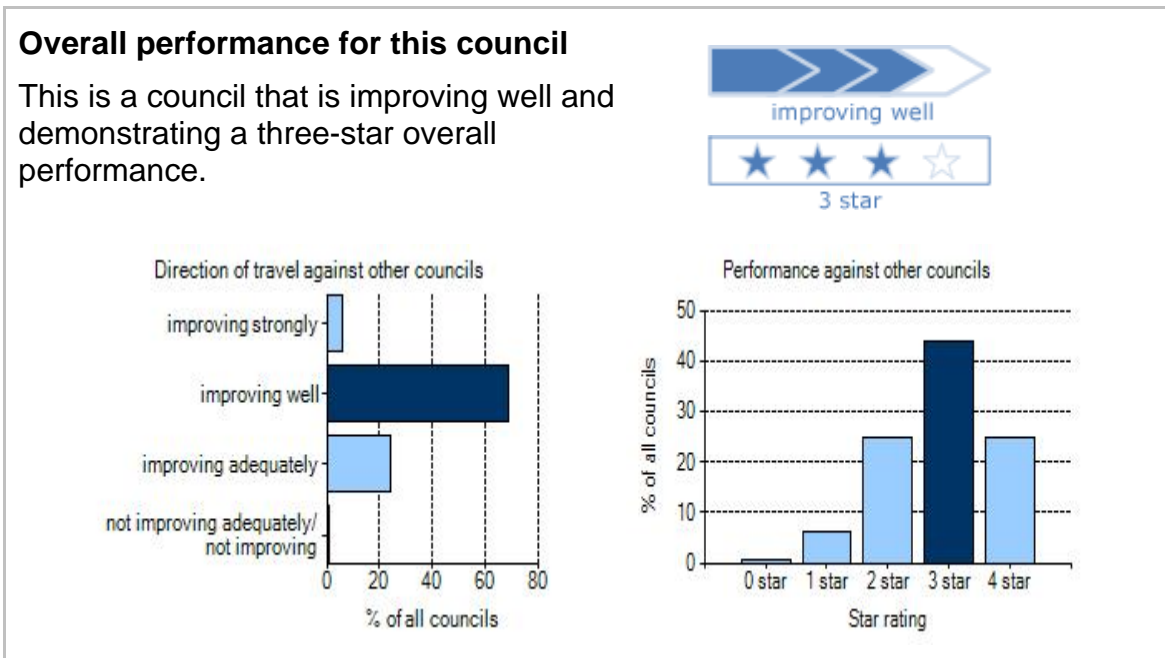
- 7 The Council needs to:
  - maintain capacity to drive continuous improvement;
  - improve the management of the capital programme;
  - address the ongoing backlog maintenance requirement;
  - continue to review the level of reserves maintained on an ongoing basis;
  - embed risk-management arrangements Council-wide; and
  - review internal audit arrangements as planned.

# Performance

## CPA scorecard

- 8 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. The Council has been assessed as follows under the new framework.

**Figure 1 CPA assessment**



- 9 Further details of the individual assessments that support the Council's overall three-star assessment are set out in Table 1 overleaf.

**Table 1 CPA scorecard**

<b>Element</b>	<b>Assessment</b>
<b>Current performance</b>	<b>3 out of 4</b>
Children and young people	3 out of 4
Social care (adults)	3 out of 4
Use of resources	3 out of 4
Housing	2 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	4 out of 4
<b>Corporate assessment/capacity to improve (not reassessed in 2005)</b>	<b>3 out of 4</b>

*(Note: 1=lowest, 4=highest)*

## Direction of Travel report

- 10 The Council is improving well. The Community Plan and Civic Pride priorities reflect public consultation. Services in those priority areas are improving. Services for children and young people are good and have continued to improve. The benefits service is performing well. Planning, transport and waste services are also good and improving. Services for vulnerable adults continue to perform well. Performance in housing services is more mixed. Overall, 60 per cent of key performance indicators show improvement since 2002/03, with 57 per cent now performing strongly. Residents are benefiting from improved access to services. The Council is making important contributions to wider community outcomes through effective partnership working with the police and the public, achieving reductions in car crime and burglary, with successful enforcement action against graffiti and other environmental crime. The Council maintains focus on its priorities through an effective performance management system, with an increasing emphasis on value for money. The Council is harnessing its strategic capacity to drive improvement. The Council has robust plans and a history of improving services that demonstrates the capacity to sustain improvement.

## Other Audit Commission inspections

- 11 We published the results of our waste management inspection in October 2005. We concluded that the Council operated a good, two-star service that had promising prospects for improvement. There were many good aspects to the Council's service, including:
- the Council's Civic Pride programme places a strong emphasis on street cleansing. Local residents have noticed an improved standard of cleanliness and we found the borough to be clean during the day and evening. The Council has learned effectively from its customers, and service users are actively involved in developing and shaping waste management services;
  - the Council is increasing the accessibility of waste management services to residents by including recycling facilities on estates;
  - waste minimisation is a core feature of the Council's service and recycling performance, at 24 per cent, is high and well above minimum standards. Refuse collection is reliable;
  - the Enforcement Service works closely with partners, including the police, to identify and, where appropriate, prosecute offenders, and has achieved significant outcomes; and
  - improvements in value for money have been achieved and the Council is using effective procurement practices and partnership working with other boroughs. Overall service costs compare well and the Council is outperforming other boroughs in the value for money of its recycling service.
- 12 We considered that the Council had promising prospects for improvement because:
- users are benefiting from the introduction of an effective contact centre with effective customer relationship management software. This will facilitate the development of a stronger focus on customers, with improved accountability for queries and complaints;
  - cleanliness and the quality of the local environment are corporate improvement priorities, driven by the Council's Civic Pride programme. This is reflected by the investment in street services to expand recycling and improve street cleanliness, including graffiti removal;
  - the performance management system is embedded, linking corporate objectives to service and individual work programmes. There is a track record of challenge, change and putting right failings. Staff are committed to delivering service aims and standards;
  - the Cabinet and other senior members, together with senior officers, demonstrate commitment to improvement; and
  - effective service planning is in place. Integrated plans are addressing 'crime, grime and anti-social behaviour'.

**13** Key challenges to delivering further progress include:

- progressing the service's approach to addressing diversity, particularly in terms of outreach work on recycling;
- programming consultation and customer feedback exercises to allow service comparison over time and involve customers in service monitoring and development; and
- developing further partnership working with social landlords to increase recycling participation among their residents and to identify and target the perpetrators of graffiti.

## Other performance work

- 14** We carried out a value for money assessment as part of our use of resources judgement. We concluded that the Council is consistently above minimum requirements. The Council, whilst providing good quality services, has one of the lowest expenditure per head rankings compared to other, similar local authorities. The small number of areas of comparative high cost reflect strategic priorities. The Council can also demonstrate that steps are being taken to improve the small number of areas of below average performance.
- 15** Clear information is available on costs and relative performance for all service areas. This is used when setting the budget and performance targets for the year. Processes are in place to review progress towards priorities, with action plans in place to address areas of concern.
- 16** The Council's rolling programme of best value reviews ensures that each area of priority is assessed and monitored. Action plans are reported to members regularly.
- 17** The Council's efficiency plan includes targets in excess of the required national minimum of 2.5 per cent. There are quarterly monitoring reports on progress in achieving the savings. A procurement manual has been produced and the procurement strategy, based on the national strategy, is available to all staff. A procurement best value review has been undertaken to identify potential efficiencies and the Council works with several consortia to produce savings through bulk purchasing.
- 18** The capital programme has been subject to problems with delivery and lack of resources over the past few years. There was slippage of 30 per cent in 2004/05, 20 per cent of which was controllable by the Council. There is some £65 million backlog maintenance, on current estimates, and the capacity of the Property Services team to deliver increased investment in buildings and infrastructure has been weakened by the failure of contractual arrangements established in 2001. Steps are being taken to strengthen resources and to put in place reliable partnerships with external companies.

- 19 The Council now needs to monitor performance information against comparative groups more routinely, and to embed value for money in all projects and assess its delivery on an ongoing basis. The actions in progress to improve the management of the capital programme will also require continued ongoing scrutiny.

## Performance information

- 20 Our approach to the audit of performance indicators changed during 2005/06 to reflect the new Code of Audit Practice. We audited 12 indicators identified by the Audit Commission as high risk and contributing directly towards the CPA scorecard, as well as a further sample of indicators based on a local risk assessment.
- 21 We adopted a joint approach, working with Internal Audit. The latter reviewed the systems for collating performance indicators, testing the underlying data recorded and ensuring that the definitions had been correctly applied. This work was then reviewed by external audit, with testing of a sample re-performed to confirm that reliance could be placed on the conclusions drawn.
- 22 The return to the Audit Commission included a reservation to one performance indicator, BVPI 199 Local Street and Environmental Cleanliness. This reflected flaws in the collection procedure, where only two out of a minimum three surveys were performed and one of these did not fulfil the necessary criteria. All other audited indicators were assessed as satisfactory.
- 23 Overall, the audit of the performance indicators progressed relatively smoothly, due in particular to the assistance received from Internal Audit. However, there were some delays in supporting information being provided to Internal Audit, a number of weaknesses with the systems for producing data and a number of required amendments to performance indicators following audit. We have therefore recommended that the Council should review the arrangements in place for collating the underlying data and calculating indicators, together with the arrangements for reviewing the quality of the information submitted for audit.
- 24 We have also completed our compliance audit of the Council's 2005/06 best value performance plan and issued our report on 29 November 2005. The report did not contain any statutory recommendations. A number of minor suggestions for improvement to content and format have been raised in our detailed report for officers.

## **Working with other inspectorates and regulators**

- 25 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 and with whom we share information and seek to provide 'joined up' regulation. These include:
- Ofsted;
  - Commission for Social Care Inspection;
  - Benefits Fraud Inspectorate;
  - DfES; and
  - Government Office for London.

## Accounts and governance

### Audit of the 2004/05 accounts

- 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. The Council has improved its processes for producing, and for ensuring the quality of, its accounts over recent years and, overall, has adequate arrangements in place. Members approved the Council's annual accounts on 28 June 2005, in advance of the statutory deadline.
- 27 Following the introduction of the Prudential Code for Capital Finance in Local Authorities and the associated regulations, local authorities were required to calculate an adjustment so as to ensure that the starting point for the calculation of the minimum revenue provision as at 1 April 2004 was the same as it would have been under the previous credit ceiling approach. We have been working with the Council to review the adjustment locally over recent months. Following the resolution of this work, we issued an unqualified opinion on the Council's accounts on 20 December 2005.
- 28 We are required by professional standards to report to those charged with governance, in this case the Statutory Accounts Committee, certain matters before we give an opinion on the accounts. We reported to that committee on 29 September 2005, drawing members' attention to:
- a number of audit amendments to the accounts in order to improve compliance with the requirements of CIPFA's 'Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice' (the SORP) and financial reporting standards; and
  - the disclosure in the Statement of Internal Control of a number of significant internal control issues that arose during 2004/05, in particular in respect of the payroll system and the Council's new financial systems, and the action taken by the Council to address the related risks.
- 29 A material presentational adjustment was also required this year to restate the Council's balance sheet to reflect cash at bank on an adjusted cash book basis (ie net of un-presented cheques and outstanding lodgements), although there was no impact on the general fund. Going forward, in addition to the normal daily reconciliation of the bank account, the Council also agreed to undertake and retain formal periodic reconciliations between the cash book and the bank account on this revised basis.

- 30 Looking further to 2005/06, the Council will need to retain its focus to ensure the more onerous requirements of the 'whole of Government accounts' initiative are met, as the deadlines again move forward. The Council will also need to strengthen further arrangements for the closedown and accounts' production, including SORP and BVACOP compliance, and continue to improve the quality of working papers across the board. External accountability can also be improved further through enhanced consultation with stakeholders on the use of user-friendly annual financial reporting.

## Financial standing

- 31 The Council manages its spending within its resources and arrangements to maintain its financial standing are sound. The Council has underspent its budget in recent years, principally reflecting higher than expected investment returns and lower debt servicing costs, together with the under-utilisation of contingencies. Underspending is identified and reported on a timely basis, with options for the use of the underspends developed and considered in response. The Council is meeting its reserves policy.
- 32 The Council reported a net revenue underspend in 2004/05 of £2.2 million against a net revenue budget of £183.2 million, again reflecting higher investment returns and unutilised central contingencies. As a result, the general fund balance increased to £13.4 million at 31 March 2005. This now represents 7.4 per cent of net revenue expenditure. This is at the upper end of the Council's target range.
- 33 For 2005/06, the Council was projecting a further underspend of £0.7 million as at the end of November 2005, after the reinvestment of additional underspends of £0.8 million. Underspending in 2005/06 again reflects higher investment returns and savings on the homelessness budget. However, the Council is currently forecasting that the general fund balance at 31 March 2006 will show a small reduction compared to the previous year-end, after allowing for some significant one-off costs to fund changes to staffing terms and conditions.
- 34 In the three-year medium-term financial strategy (MTFS) submitted to Cabinet on 5 December 2005, the Council sets out its commitment to minimising council tax increases within a rolling target of less than 5 per cent each year, over the period of the MTFS. The overall strategy is to stabilise the Council's financial position, whilst establishing secure funding to enable long-term and sustainable strategic investment to improve key public services. Significant commitments remain, for example in respect of the maintenance backlog in schools, parks and other key facilities. Earmarked reserves, for example the Infrastructure Fund, are increasingly fully committed.

- 35 The Council, in its MTFs, considers that future pressures may mean that, in 2006/07 and beyond, there will be little scope for further contributions to balances. Funding of capital and revenue spending will take place against a background of constraints and uncertainties. These include central government expectations of council tax increases 'in low single figures', the escalating costs of pensions, annual efficiency savings' targets, and changes to the local government financing regime. The Council expects these pressures to be met from a combination of government funding and efficiency savings, although there remains a considerable degree of uncertainty over future funding levels. The Council should therefore continue to review the level of balances maintained having regard to its needs and risks.

### **Financial management**

- 36 Overall financial management arrangements are above minimum requirements. The Council has a strong MTFs process which is embedded and integrates with service planning processes. Budget setting and monitoring processes are considered robust. There are regular and comprehensive revenue and capital monitoring reports to the relevant overview and scrutiny committees, as well as to Cabinet. Action plans are produced in-year to manage any significant variances. Non-financial information is also reported.
- 37 The Council has a capital strategy which links to the MTFs, although there is a recognition that arrangements for managing the asset base can be improved. As noted above, the Council again experienced slippage in 2004/05 on its capital budget. The capital budget for 2005/06 is £36.1 million (as at July 2005) and the latest projection for spend against that budget is £31.8 million, a continuing underspend. Members will be aware of the need to improve management of capital spending and the steps being taken to address this.

### **Debt management**

- 38 The Council monitors closely its performance in debt collection. The need to review and increase the level of bad and doubtful debt provisioning has been an ongoing theme of Annual Letters. The Council has addressed this over time, and the Council's accounts now include significant provisions for bad and doubtful debts. With the improved management information now available on the age and type of debt due, the Council is better placed to review the level of provisions maintained going forward.

## **Systems of internal financial control**

- 39 As reported in the 2004 Annual Letter, the Council implemented new financial systems during 2004/05 and these form a key part of the internal control framework. Internal Audit reviewed the implementation and operation of these new systems during the year. A number of control issues were raised as a result of this work. This issue is reflected in the Council's Statement of Internal Control, together with management's actions in response.

- 40 Further significant issues were raised in the Statement of Internal Control in respect of the Council's payroll system, management arrangements for ICT and risk management processes. Again, the mitigating actions taken or being taken by management were also reflected.
- 41 Council-wide risk management arrangements have been introduced and, whilst good, are not yet fully embedded. The Council needs to establish a formal, structured assurance framework that maps the Council's strategic objectives to risks, controls and assurances.
- 42 A risk management strategy is in place. This has been updated recently and will continue to require ongoing annual review. There are corporate and departmental risk registers which are reviewed regularly by Internal Audit. The arrangements need to be enhanced through further training of members and relevant staff to ensure that risk management is effective and that significant business risks are properly managed.
- 43 There is an effective internal audit function. Where weaknesses are identified by Internal Audit – for example, in respect of the new financial systems – prompt action was taken to address these. Progress was monitored by the Audit Committee. The Council currently has temporary arrangements in place for the leadership of the internal audit function. These arrangements are to be formally reviewed early in 2006 as part of the process of ensuring that the overall resources invested in Internal Audit, and the balance between in-house and externally-sourced provision, remain appropriate having regard to internal financial control requirements.

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

- 44 There has been considerable work to promote an anti-fraud and corruption culture locally. To assess the embedding of arrangements, we carried out a review of fraud awareness using two surveys. The results were reported to the Audit Committee in April 2005. The main issues arising were:
  - most respondents considered that the Council has in place appropriate policies for dealing with fraud and corruption; however, when individuals' understanding of how these affected their day-to-day responsibilities and how their colleagues understood them was probed, there was a reduction in the level of agreement;
  - respondents perceive a strong level of Council commitment to combating fraud and corruption, but less so at a departmental level; and
  - there is scope for reinforcing further the messages contained in the Council's anti-fraud and corruption policies.
- 45 An action plan was agreed with officers. The recent updating of the anti-fraud and corruption strategy will assist in addressing the issues identified in our review.

- 46 The Council has recently identified a potential fraud. Appropriate action is being taken in response. We are being kept informed of progress appropriately and will continue to monitor the Council's work closely.

### National Fraud Initiative

- 47 In 2004/05, the Council 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. There is rigorous follow-up of NFI data matches locally. Progress against the data matching is reported regularly to the Audit Committee and the Council has demonstrated its commitment to pursuing potential frauds and overpayments.

### Legality of transactions

- 48 We have not identified any significant weaknesses in the framework established by the Council for maintaining the legality of its significant financial transactions.
- 49 Members will be aware that we received two objections to the 2002/03 accounts. Progress in considering those objections is set out below.

**Table 2      Objections to the Council's 2002/03 accounts**

Objection	Progress
Squires Garden Centre Farmhouse	The decision was issued on 20 December 2005. We did not uphold the objection. There are no issues to bring to members' attention.
Twickenham Golf Course	Our consideration of the objection is at an advanced stage.

### Use of resources judgements

- 50 The use of resources assessment is a new annual assessment which focuses on financial management, but links to strategic management. It looks at how the financial management is integrated with strategy and corporate management, supports council priorities and delivers value for money. For single tier and county councils, the use of resources assessment forms part of the CPA framework.
- 51 For the purposes of the CPA, we have assessed the Council's arrangements for use of resources in five areas.

**Table 3**

<b>Element</b>	<b>Assessment</b>
Financial reporting	2 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	3 out of 4
<b>Overall</b>	<b>3 out of 4</b>

*(Note: 1=lowest, 4=highest)*

- 52 In reaching these judgements, we reviewed the Council's arrangements against specific key lines of enquiry and drew on other recent audit work. Our findings are reflected in the earlier sections of this letter.

## Other work

### Grant claims

- 53 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.
- 54 The Council's arrangements for managing and quality assuring grant claims submitted for audit has improved in recent years. Grants' audit work in 2004/05 has reflected the higher risk assessment of major claims, in particular NNDR and housing benefits, reflecting the introduction part way through the year of new financial systems. We will continue to work with officers to achieve further improvements in the arrangements for the production of grant claims for audit.

## Looking forward

### Future audit and inspection work

- 55 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 the 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 Local Services Inspectorates Forum websites.
- 56 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

- 57 The statutory requirements governing our audit work, are contained in:
- the Audit Commission Act 1998; and
  - the Code of Audit Practice (the Code).
- 58 The Code has been revised with effect from 1 April 2005. Further details are included in our Audit and Inspection Plan which was agreed with the Audit Committee in April 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

- 59 This letter has been discussed and agreed with the Chief Executive, the Director of Finance and Corporate Services and leading members. The letter will be presented to the Strategy and Resources Overview and Scrutiny Committee in February 2006.
- 60 The Council has taken a positive and constructive approach to our audit and inspection work. We would like to take this opportunity to express our appreciation for the Council's assistance and co-operation.

### Availability of this letter

- 61 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) and also on the Council's website.

Michael Haworth-Maden  
District Auditor and  
Relationship Manager

January 2006

PKF (UK) LLP  
Appointed Auditors

January 2006

## Appendix 1 – Background to this letter

### The purpose of this letter

- 1 This is our Audit and Inspection ‘Annual Letter’ for members, incorporating the Annual Audit Letter for 2004/05, which is presented jointly by Michael Haworth-Maden, the Council’s ongoing Relationship Manager and District Auditor for financial years up to and including 2004/05, and PKF, the Council’s Appointed Auditor from financial year 2005/06. 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.

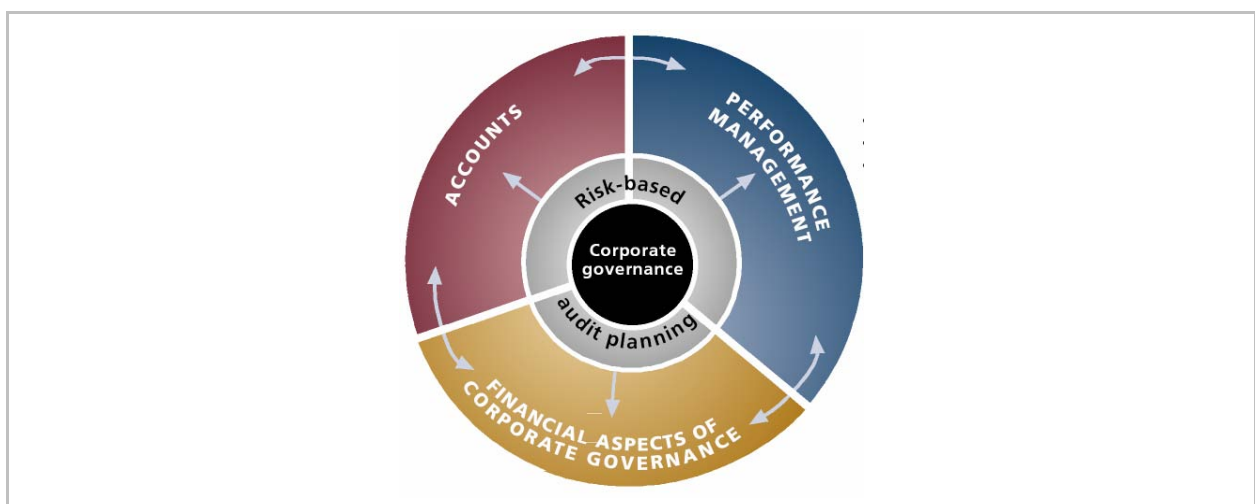
### Audit objectives

- 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.

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#### Figure 2 Code of Audit Practice

Our Code responsibilities



7 Our work in the three elements of these responsibilities comprises 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 – Reports issued during 2005

**Table 4**

<b>Report title</b>	<b>Author</b>	<b>Date issued</b>
Review of Fraud Awareness	Audit Commission	January 2005
Audit and Inspection Plan 2005/06	Joint	March 2005
Review of Internal Audit	Audit Commission	April 2005
Performance Indicators	PKF	September 2005
Report on the 2004/05 Accounts to Those Charged with Governance (SAS 610)	Audit Commission	September 2005
Waste Inspection	Audit Commission	October 2005
Use of Resources	PKF	November 2005
Best Value Performance Plan	PKF	November 2005
Opinion on the 2004/05 Accounts	Audit Commission	December 2005
Direction of Travel	Audit Commission	December 2005
CPA Scorecard	Audit Commission	December 2005
Annual Audit and Inspection Letter	Joint	December 2005

## Appendix 3 – Audit and inspection fees

**Table 5 Audit and inspection fees' update**

<b>Audit area</b>	<b>Plan 2004/05 £000</b>	<b>Actual 2004/05 £000</b>
Accounts	87	87
Financial aspects of corporate governance	53	53
Performance	65	65
<b>Total Code of Audit Practice fee</b>	<b>205</b>	<b>205</b>
Inspection	85	85
Grant claim certification*	70	87
Additional voluntary work (under section 35)	-	-
<b>Total**</b>	<b>360</b>	<b>377</b>

\* *The grant claim audit continues into 2006 and the actual fee reported is our current estimate of the likely fee for the 2004/2005 certification work. The increase principally reflects the issues discussed in paragraph 54 above.*

\*\* *This excludes the costs of deciding the objections in respect of the 2002/2003 accounts. The costs are currently estimated as £77,500 (Squires Garden Centre Farmhouse) and £27,500 (Twickenham Golf Course).*