

Annual Audit and Inspection Letter

London Borough of Richmond Upon Thames

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

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

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

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

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Our overall summary

- 1 This letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from:
 - the audit of the Council; and
 - an analysis of the Council's performance and its improvement over the last year, as measured through the comprehensive performance assessment (CPA) framework.
- 2 The letter is addressed to the Council. It has, in particular, been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The letter's main messages are:
 - the Council is improving well and has been assessed as a three-star authority under the CPA framework;
 - the Council received an unqualified opinion on its 2005/06 accounts; and
 - the Council received an unqualified conclusion on its arrangements for securing value for money during 2005/06.

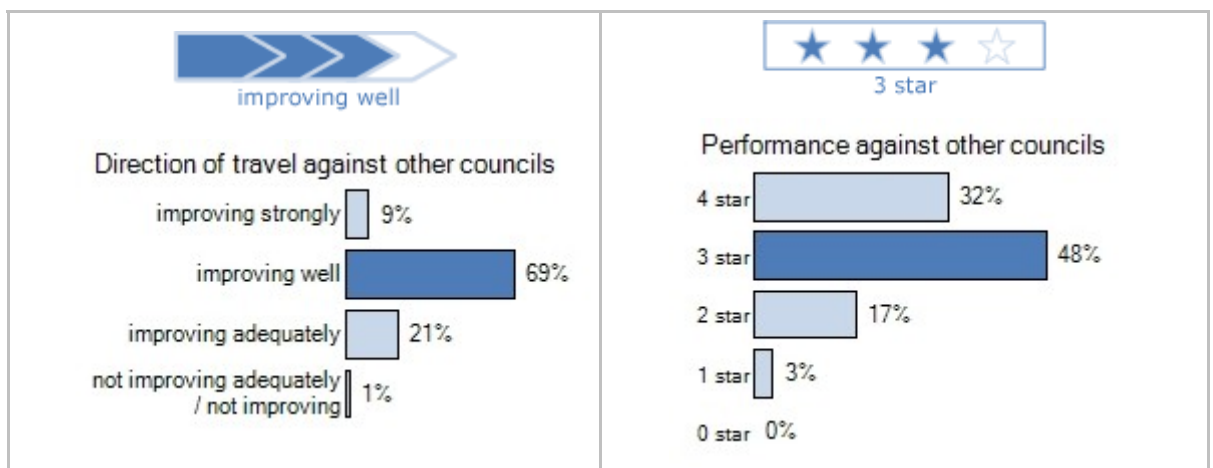
Action needed by the Council

- 4 The Council now needs to:
 - enhance its focus on environmental services;
 - embed the data quality strategy in its performance management culture; and
 - introduce asset management performance measures to monitor efficiency in the use of assets.

How is the Council performing?

- 5 The Audit Commission's overall judgement is that the Council is improving well. The Council has been classified as a three-star authority in terms of its current level of performance under the CPA framework. These assessments have been completed in all single tier and county councils with the following results.

Table 1 CPA results for single tier and county councils



Source: Audit Commission

- 6 The detailed assessment of the Council is as follows.

Table 2 CPA scorecard

Element	Assessment 2005	Assessment 2006	Change
Direction of travel judgement	Improving well	Improving well	-
Overall	3 star	3 star	-
<u>Current performance</u>	(out of 4)	(out of 4)	
Children and young people	3	3	-
Social care (adults)	3	3	-
Use of resources	3	3	-
Housing	2	3	↑
Environment	3	2	↓
Culture	3	3	-
Benefits	4	4	-
Corporate assessment/ capacity to improve	3	3	-

(Note: 1 = lowest, 4 = highest)

The improvement since last year - our direction of travel report

- 7 Priority services are improving and this is recognised by residents. Overall satisfaction with Council services is improving and amongst the best in London. The Council continues to provide good services for children and young people and makes an effective contribution to improving outcomes, for example in delivering the best results in the country for primary schools for key stage assessments. The modernisation of adult social care continues and is reflected in performance improvements. Although national recycling targets have not been met, performance is improving and residents are noticing a cleaner borough. Homeless households spend significantly less time in bed and breakfast accommodation. The Council focuses on the needs of residents and promotes fair access to services. The benefits and culture services continue to perform well. Crime figures for robberies and domestic burglaries deteriorated, but are now improving, whilst performance in environmental services is mixed. The Council provides good value for money, with spending per head of population being one of the lowest in London, and has a good track record of delivering required change. The Council has robust plans and the capacity to sustain service improvement.

Financial management and value for money

- 8 Your appointed auditor has reported separately to the Statutory Accounts Committee on the issues arising from the 2005/06 audit and has provided:
- an unqualified opinion on your accounts;
 - a conclusion on your value for money arrangements to say that these arrangements are adequate; and
 - a report on the best value performance plan confirming that the plan has been audited.
- 9 The findings of the auditor are an important component of the CPA framework described above. In particular, the use of resources score is derived from the assessments made by the auditor of five themes, as set out in Table 3.

Table 3 Use of resources assessment

Theme	Assessment (out of 4) 2005	Assessment (out of 4) 2006	Change
Financial reporting (including the preparation of the Council's accounts and the way these are presented to the public)	2	3	↑
Financial management (including how financial management is integrated with strategy to support Council priorities)	3	3	-
Financial standing (including the strength of the Council's financial position)	3	3	-
Internal control (including how effectively the Council maintains proper stewardship and control of its finances)	2	3	↑
Value for money (including an assessment of how well the Council balances the costs and quality of services)	3	4	↑
Overall use of resources	3	3	-

(Note: 1 = lowest, 4 = highest)

- 10 The key issues arising from the audit, as reflected in the above judgements, are as follows.
- The year has seen good progress in developing the Council's arrangements for financial reporting, internal control and, in particular, securing value for money; with regard to the latter, the Council has been assessed as performing strongly as a result of its low expenditure per head of population and generally good levels of performance across the range of services provided when compared to its peer group.
 - A data quality strategy has been developed and this needs to be embedded in the performance management culture of the organisation.
 - Improvements in the arrangements for managing the Council's asset base have been made, although asset management performance measures should be introduced to monitor efficiency in the use of assets.

Certification of the accounts

- 11 The final outstanding objection to the Council's 2002/03 accounts – in respect of the sale of Twickenham Golf Course - was decided on 16 March 2006. The objection was not upheld. Following that decision, the audits of the Council's accounts for the years 2002/03 to 2004/05 were certified as complete. The audit of the 2005/06 accounts has also been certified.

Conclusion

- 12 This letter has been discussed with the Chief Executive and Leading Members. A copy of the letter will be presented to the Strategy and Resources Overview and Scrutiny Committee on 28 March 2007.
- 13 Further detailed findings, conclusions and recommendations on the areas covered by this year's work are included in the reports issued to the Council during the year. Table 4 highlights the reports issued since our last annual audit and inspection letter was issued in January 2006.

Table 4 Reporting

Report	Date of issue
Audit and inspection plan 2006/07	April 2006
Certification of the 2002/03, 2003/04 and 2004/05 accounts	April 2006
Report of the auditor to those charged with governance	September 2006
Opinion on the 2005/06 accounts	September 2006
Value for money conclusion 2005/06	September 2006
Certification of the 2005/06 accounts	September 2006
BVPP report 2006/07	December 2006
Direction of travel assessment	February 2007
CPA scorecard	February 2007
Use of resources judgements	March 2007

- 14 The outturn fee for the year is set out in Table 5 overleaf. This shows total audit and inspection fees for 2005/06 of £237,000, in line with the planned fees. This compares to 2004/05 total fees of £290,000.

Table 5 Fee update

Area	Plan 2005/06 £	Actual 2005/06 £
Accounts	105,000	105,000
Use of resources	85,000	85,000
Total audit fee	190,000	190,000
Inspection	47,000	47,000
Total audit and inspection fees*	237,000	237,000
Grant claim certification (estimated outturn)	76,000	67,000

** This excludes fees for deciding the objections in respect of the 2002/03 accounts. The final fees for the objection to the sale of Twickenham Golf Course (see paragraph 11 above) amounted to £30,000. The final fees for the Squires Garden Centre Farmhouse objection (the findings of which were reported in last year's letter) amounted to £91,000.*

- 15 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

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

Michael Haworth-Maden
Relationship Manager

March 2007