

Annual Audit and Inspection Letter

London Borough of Richmond upon Thames

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Reference:	RI001 Annual Audit and Inspection Letter
Date:	January 2005

Introduction

This audit and inspection annual letter 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.

We have issued separate reports during the year having completed specific aspects of our programme. These reports are listed at Appendix 1 for information.

Appendix 2 sets out the scope of audit and inspection activity.

Appendix 3 provides information about the fees charged.

Key messages

Council performance

The council has maintained its 'good' status in this year's comprehensive performance assessment (CPA). Based on its current plans, the council is well placed to improve the way it works and the services it provides to local people.

We have undertaken reviews of specific areas of the council. We have identified examples of good practice and made recommendations for improvement in other areas.

The results of the inspections undertaken during 2004 demonstrate the council's commitment to continuous improvement.

Accounts and governance

We gave an unqualified audit opinion on the council's 2003/04 financial statements on 26 October 2004, earlier than in previous years. This was facilitated by the early production, approval and presentation for audit of the draft financial statements.

The council's financial position continued its improving trend of the last few years, particularly in strengthening reserves. However, there remain significant financial pressures in the medium to longer term. Current plans foresee a rising spending gap that will need to be bridged by government grant/efficiency savings. Managing this gap will present a significant challenge to the council's financial management, if expectations of residents and central government for service improvement and council tax restraint are to be met.

The council's overall arrangements for financial aspects of corporate governance are generally satisfactory.

Action needed by the council

Our letter highlights the following actions for the council:

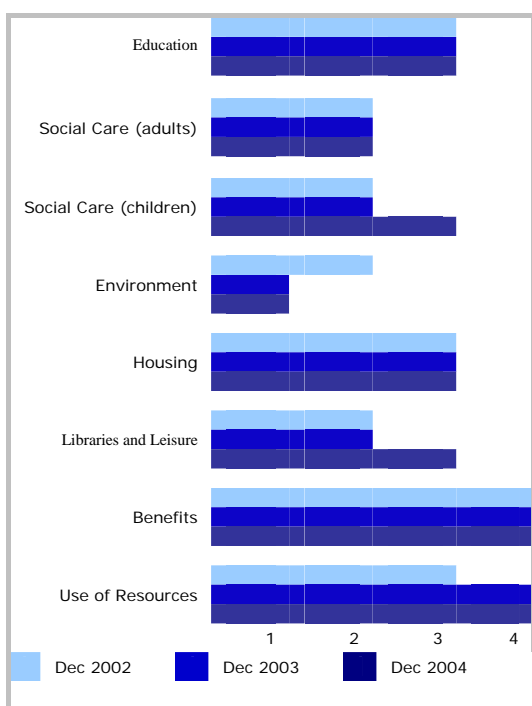
- continue to work with stakeholders and private sector partners to manage the delivery of the PFI schools' build and facilities' maintenance contract and the associated risks to the council, having regard to appropriate advice;
- balance the expectations of residents for continued service improvements with the corresponding expectation for council tax restraint in setting the 2005/06 and longer-term budgets;
- monitor the level of funding on the pension fund on an ongoing basis and review contribution rates appropriately; and
- continue to implement the new financial systems appropriately and address matters raised by internal audit on a timely basis.

Council performance

CPA scorecard

The council has maintained its 'good' status in this year's comprehensive performance assessment. Based on its current plans, the council is well placed to improve the way it works and the services it provides to local people.

EXHIBIT 1 – UPDATED CPA JUDGEMENTS



(Note: 1 = Lowest, 4 = Highest)

The council has made improvements in social care and library and leisure services over the last year. Progress has also been made in education, housing and environment services, in particular in the planning service. Crime levels have fallen and the borough remains one of the safest areas in which to live and work in London.

The council is clear about its ambition and priorities and these are shared with its partners. The council successfully maintains its focus on these priorities through a maturing performance management system. Capacity has been developed through partnership working which is beginning to result in improved services.

The council responds well to external review. It has invested in its priority areas and has developed plans to address remaining areas of service weakness.

Based on its plans, the council is well placed to continue to improve the way it works and the services it provides to local people.

CPA improvement report

EXHIBIT 2 – REVIEW OF EVIDENCE TO SUPPORT ASSESSMENT OF CONTINUOUS IMPROVEMENT

Theme	Assessment
Ambition	The council and its community partners have a clear public-facing vision for the borough set out in the community plan 2003/06. This is supported by and consistent with the council's civic pride strategy.
Prioritisation	The council's key policy priorities have been informed by the views of residents and stakeholders and by feedback from external reviews, inspections and the CPA. The council's priorities are clear and reflect the priorities for the borough set out in the community plan. Priorities are user and citizen-focused, appropriately cross-cutting and reflect quality of life issues.
Focus	The council maintains its focus well. Corporate priorities drive directorate and service plans. Plans are monitored quarterly and reported effectively to members using a traffic-light system.
Capacity	Capacity has been enhanced through improved partnership and procurement arrangements. There remain challenges in terms of the backlog on necessary maintenance work and the need to find efficiency savings to deliver local and national priorities. Front-line services, for example, planning, have been modernised. Support services have been strengthened, for example, human resources, to support recruitment to services with skill shortages, with some success. The council's financial position has continued to be strengthened.

Theme	Assessment
Performance management	<p>The council maintains a sound performance management framework. Resources have been reallocated to fund improvement priorities. Performance indicators, satisfaction surveys and complaints' data are all used to focus on necessary service improvement. The council sets ambitious targets for service improvement, although delivery against those targets shows a mixed picture across services.</p> <p>The council continues to work with stakeholders and its private-sector partners to manage the delivery of its PFI schools' build and facilities' maintenance contract and the associated risks to the council, having regard to appropriate advice. Continued focus is required.</p>
Achievement of improvement	<p>There has been a general trend of improvement in public-facing services. Fifty-seven per cent of key best value performance indicators show improving performance and there remain a good number of indicators in the top quartile nationally. Overall resident satisfaction is above average.</p> <p>Crime and disorder indicators show improvement, with comparatively low rates of offending. There have been improvements in environmental services, in particular in planning and parks, although this has yet to feed into an improved overall service score. Customer services have improved, with electronic interaction with the public above average. Social care indicators in general show improvement. Educational attainment levels at key stages 1 and 2 remain top quartile and are showing improvement at key stage 3. One school is, however, currently in special measures.</p>

Theme	Assessment
Investment	Investment approaches are being developed to address capacity gaps. Examples include the council's ITNET partnership, the asset management plan and the accommodation strategy. Funds have been set aside for repairs and renewals and infrastructure investments, although a significant gap remains.
Learning	The council has become more outwards focused, working with and learning from other London boroughs and other agencies, including the private sector.
Future plans	The council's plans for the short to medium term are clear and reflect the improvement agenda. Plans for the longer term are being developed against a background of uncertainty over future funding levels.

Recommendation

R1. The council needs to continue to work with stakeholders and its private sector partners to manage the delivery of its PFI schools' build and facilities' maintenance contract and any risks to the council, having regard to appropriate advice.

Other performance work

We have also undertaken reviews of specific areas of the council. We have identified examples of good practice and made recommendations for improvement in other areas.

We carried out performance management reviews in the following risk areas:

- educational achievement of looked after children (LAC);
- children with special education needs (SEN); and
- human resources (HR) management.

The results of this work are shown in the exhibit overleaf.

EXHIBIT 3 – SUMMARY OF OTHER PERFORMANCE WORK

Performance management reviews

Educational achievement of LAC

- The council demonstrates improved corporate commitment through the Children's Quality Steering Group, although there is a need to issue a high level, cross cutting policy to provide a focus for coordinated activity across all service areas.
- Although improving, educational achievement of LAC remains poor relative to national standards and the performance of neighbouring councils.
- Measures to improve educational achievement further are being established, but it is too early to judge their success.
- There have been challenges to ensure that the needs of children placed out of borough receive sufficient priority, but plans are now in place to address these.
- Action is being taken to ensure that all children have an up to date personal education plan.
- Steps are being taken to exploit fully the positive working relationships between social services and education, in part through the Children and Young People's Strategic Partnership.

The report was submitted to the Social Care and Housing Overview and Scrutiny Committee on 29 June 2004.

Children with SEN

- The council has a strong commitment to improving the quality of its provision for children with SEN.
- The council is well placed against the milestones identified in the post Ofsted action plan.
- There remains scope to improve the partnership with parents.
- The use of independent educational placements has resulted in budget pressures, but these are being monitored and managed carefully.
- There remains a need to evaluate local provision so that the case for such provision can be made to parents.
- Guidance has been issued to schools to clarify relative responsibilities in meeting SEN.
- There now needs to be a review of centrally managed support to schools.
- The membership of the SEN Panel has been appropriately widened to include health, social services and schools' representatives.

The report was submitted to the Education and Culture Overview and Scrutiny Committee on 14 July 2004.

Performance management reviews (continued)

HR management

- The council's commitment to improvement is evident in planning and policy documents.
- There is a strong policy development function.
- HR planning is directed towards improvement.
- There is a need for clearer links between corporate planning and service improvement, and between corporate HR and council departments.
- In social services, selected for more detailed review, there is good progress in tackling recruitment and retention issues, although corporate policies are not always being followed.

Our report and action plan has recently been agreed and will be taken to the next Strategy and Resources Overview and Scrutiny Committee.

Other Audit Commission inspections

The results of the inspections undertaken during 2004 demonstrate the council's commitment to continuous improvement.

Following regular performance assessments (RPAs) of the council's culture and environment service blocks in March 2004, we undertook inspections of both services during the summer. The environment inspection focused on the council's planning service, while the culture inspection covered the whole service.

One further inspection was completed during 2004. In 2003, the council volunteered to be a 'pathfinder' authority for a supporting people inspection – that is, an assessment of services that help vulnerable people live independently. The inspection was carried out in May 2003 and an interim report issued on July 2003. In February 2004, the inspection team updated the report and re-assessed the council's performance.

EXHIBIT 4 – SUMMARY OF INSPECTION FINDINGS
Inspections
Cultural services
A good, two-star service that has uncertain prospects for improvement.

- There are clear links between the council's ambitions for the local area and those for cultural services that have been developed with local stakeholders.
- Levels of participation and usage of cultural services have increased significantly in recent years.
- Satisfaction levels are good and compare well with other London boroughs.
- There have been improvements to dual use sports facilities and effective joint working with schools on increasing opportunities for PE and sport.
- The library service has modernised its way of working.
- The arts service has a national reputation for its education work.

If the service is to improve from good to best in class, a number of issues need to be addressed, and hence prospects are assessed as uncertain. Key issues include:

- the condition of many buildings remains a key concern to users and capital programmes are only just beginning to address this;
- improved performance management arrangements have only recently been put in place and do not clearly demonstrate outcomes and impacts for users;
- the quality of strategies and plans is variable and not all are supported by SMART targets;
- there is limited use of information to identify and meet the needs of non-users and emerging communities, including those on low incomes; and
- a decision has yet to be made about the long-term future of the 13 libraries, a number of which are in the wrong location and require significant upgrading.

The council's improvement plan is to be presented to the Education and Culture Overview and Scrutiny Committee early in 2005.

Inspections (continued)
Planning services
A good, two-star service with promising prospects for improvement.

The service has a number of positive features.

- Stakeholders and partners speak highly of the professionalism and motivation of officers.
- User satisfaction has increased significantly.
- Government targets are being exceeded.
- There is a comprehensive range of information available for users.
- Section 106 agreements are used to achieve considerable community benefits.
- Challenging environmental community goals are being achieved.
- Applicants are able to speak at planning meetings.

Prospects for improvement are promising. The service now needs to:

- make greater use of detailed performance management information;
- use challenge, consultation and comparison more effectively to inform service development; and
- clearly demonstrate value for money.

The council's improvement plan is to be presented to the Environment Services Overview and Scrutiny Committee in January 2005.

Supporting people
A good, two-star service with promising prospects for improvement.

Good progress has been made in developing services to help vulnerable people live independently.

In particular:

- there is positive feedback from a range of vulnerable users;
- services for hard to reach groups have been developed;
- council departments have worked in partnership with each other and with external agencies to establish clear service delivery arrangements;
- the council has actively challenged poor services and inappropriate provision; and
- several new and reconfigured services have been developed.

Prospects for improvement are promising. The service now needs to:

- improve user engagement with the programme;
- develop consultation arrangements; and
- develop partnership-working with probation.

The report was presented to the Social Care and Housing Overview and Scrutiny Committee on 29 June 2004.

Working with other inspectorates and regulators

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;
- the Commission for Social Care Improvement (CSCI);
- the Benefits Fraud Inspectorate;
- DfES; and
- the Government Office for London.

We share information and seek to provide 'joined up' regulation to the council.

Performance information

Best value performance indicators

We submitted our opinion on the council's outturn Best Value Performance Indicators (BVPIs) included in the council's 2004/05 best value performance plan (BVPP) on 2 September 2004. Our only reservations were in respect of the community safety BVPIs, the preparation of which is outside the council's control.

Whilst the audit was satisfactory, there were 33 amendments to 2003/04 BVPIs (compared to 24 in 2002/03). In consultation with the Chief Executive and the Head of Business Consultancy, we have identified scope for improvement to the council's process for producing the BVPIs and will be liaising with the new external auditors to ensure they are aware of the issues for next year's audit.

We have now completed our audit of the 2004/05 BVPP. We concluded that, in all significant respects, it complied with statutory requirements. We therefore issued an unqualified opinion on 30 November 2004.

Review of data quality in social services

As part of the star rating system for social services, a range of performance indicators is used, some of which are also BVPIs.

The star-rating contributes to the council's overall CPA assessment each year.

In collaboration with CSCI, the Audit Commission has been developing audit tools to test the accuracy and quality of a sample of social services' PIs relating to services for older people. We tested the tools at the Council with the agreement of the Director of Social Services and Housing. We found that:

- there is real progress in the quality and accuracy of social services' data;
- information systems are limited in their capacity to be flexible, to interface across finance and activity data and to be user-friendly, although considerable work has been done to maximise the systems' potential; and
- there is a need to ensure funding agreements with voluntary organisations include the requirements to record and report activity so that information on services provided in the community is accurately recorded.

An action plan was drawn up to address these issues.

Review of Youth Offending Team (YOT) data quality

We undertook a review of YOT data quality at the request of the Youth Justice Board. This work was funded by the Home Office. We identified a range of good practice, but also opportunities for improvement that are being addressed – for example, with regard to the information system providing data. An action plan was agreed with the YOT Manager.

Accounts and governance

We gave an unqualified audit opinion on the council's 2003/04 financial statements on 26 October 2004, earlier than in previous years. This was facilitated by the early production, approval and presentation for audit of the draft financial statements.

The council's financial position continued its improving trend of the last few years, particularly in strengthening reserves. However, there remain significant financial pressures in the medium to longer term. Current plans foresee a rising spending gap that will need to be bridged by government grant/efficiency savings. Managing this gap will present a significant challenge to the council's financial management, if expectations of residents and central government for service improvement and council tax restraint are to be met.

The council's overall corporate governance arrangements are generally satisfactory.

Audit of 2003/04 accounts

We gave an unqualified opinion on the council's accounts on 26 October 2004, much earlier than in 2002/03. This was aided by members approving the Council's annual accounts on 28 June 2004, well before the statutory deadline of 31 August 2004. Close liaison with officers as to the closedown and audit processes has led to a sustained improvement in a number of areas, including that of working papers, that facilitated the issue of an earlier opinion.

Report to those with responsibility for governance in the council

We are required by professional standards to report to those charged with governance (in the case of the council, the Statutory Accounts Committee) certain matters before we give an opinion on the financial statements. We reported to the Statutory Accounts Committee on 13 October 2004.

Financial year 2003/04 saw the introduction for the first time of the requirement to produce a statement of internal control (SIC) and transitional rules applied. The SIC was prepared on the basis of a number of review mechanisms, in particular the work of internal audit. The council plans to undertake a more comprehensive review in 2004/05.

The other matters drawn to members' attention related to:

- a £1.4 million adjustment between the net costs of services and transfers to reserves, although there was no impact on the consolidated revenue account balance carried forward; and
- the council's ongoing work to reconcile unidentified credit balances on the debtors' ledger (£1 million) and the collection fund (£0.5 million) that is to be completed during 2004/05.

Audit of accounts 2000/01 and 2001/02

Members will be aware that the audits for 2000/01 and 2001/02 remained open, pending the clarification and consideration of matters raised by members of the public. On completion of that work, we certified the closure of the audit of the accounts for those years on 27 September 2004. The audit of the accounts for 2002/03 and 2003/04 remain uncertified pending a decision on two objections to the 2002/03 accounts (see below).

Financial standing

2003/04

The council's financial position again improved during 2003/04.

The council reported a net revenue underspend of £5.6 million against a net revenue budget of £175.3 million. The largest areas of underspending were in treasury and financing (£2.1 million), due to higher investment returns and lower debt servicing costs, and social services and housing (£2.3 million) due to a further reduction in the use of bed and breakfast accommodation and lower than expected asylum seeker costs.

As a result, the general fund balance has increased to £11.4 million at 31 March 2004 (from £6.9 million at 31 March 2003) and now represents 6.5 per cent of net revenue expenditure. Earmarked reserves have also risen by £7 million to £32 million.

The council, in its medium-term financial-strategy (MTFS), considers that the level of reserves and provisions maintained are at a broadly adequate level. This strategy also identifies the long-term commitment of a significant proportion of earmarked reserves to address required investment in the borough's infrastructure.

2004/05

Members set the 2004/05 budget at £183.2 million and a council tax level at Band D of £1,339.05, an increase of 5.6 per cent over 2003/04 (including the GLA precept of £241.33).

Regular monitoring reports on the 2004/05 financial position are submitted to Cabinet. The most recent report on 9 November 2004, based on information as at 30 September 2004, showed that there is a projected under-spend of £3.5 million. Options for the use of the underspend will be considered as the outturn becomes more certain.

The medium-to-longer-term financial position

In the three-year MTFS submitted to Cabinet on 7 December 2004, the council has set itself challenging targets to improve services, reduce the backlog of maintenance work and invest in the infrastructure of the borough. The investment needed to bring assets up to the desired standards was estimated in 2002/03 at £65 million. The council acknowledges that this estimate may be some years out of date and has begun a condition survey to provide a more accurate figure.

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', possible annual efficiency savings' targets, changes to the local government financing regime and, in particular, to the funding of education spending after 2005/06. The funding gap over the strategy period rises from 4.4 per cent of expenditure in 2005/06 to six per cent in 2007/08.

The council expects this to be met from a combination of government funding and efficiency savings, although there remains a considerable degree of uncertainty over future funding.

Recommendation

R2. The council should balance the expectations of residents for continued service improvements with the corresponding expectation for council tax restraint in setting the 2005/06 and longer-term budgets.

The capital programme

The council again experienced slippage on its capital programme in 2003/04, amounting to £8.7 million or 32 per cent of the in-year budget. Slippage on the 2004/05 programme of the order of £4.8 million or 17 per cent is currently forecast.

The council has recognised in its MTFS the need to improve the management of capital spending.

Pension fund

In line with the relative improvement in stock markets, the pension fund showed a net increase in the value of its assets at 31 March 2004. This is highlighted below.

EXHIBIT 5 – PENSION FUND NET ASSETS

	31 March 2003 £000	31 March 2004 £000
Start of year	218,778	172,107
Movement	(46,671)	44,400
End of year	172,107	216,507

The last full actuarial valuation at 31 March 2001 estimated a funding level of 88 per cent. The next actuarial valuation will be as at 31 March 2004. At the date of this letter, a final valuation has yet to be received by the council. However, in anticipation of the actuary's final report, the council has continued its policy of increasing its pension fund contribution level by one per cent per annum. Contribution levels will need to be reviewed once the actuary's valuation has been received.

Recommendation

R3. The council should monitor the level of funding on the pension fund on an ongoing basis and review contribution rates appropriately.

Systems of internal financial control

Our responsibility is to consider whether the council has put in place adequate arrangements to satisfy itself that its systems of internal financial control are both adequate and effective in practice. We have reviewed and, where appropriate, examined evidence that is relevant to these arrangements. Overall, we concluded that the council maintains a generally satisfactory system of internal financial control.

The new financial systems went live on 1 April 2004 and these form a key part of the council's internal control framework. Internal audit has been reviewing the implementation and operation of these systems during 2004 and a number of issues have been raised in reports that will need to be addressed on a timely basis. We will monitor progress as part of the 2004/05 audit.

Recommendation

R4. The council should continue to implement the new financial systems appropriately and address matters raised by internal audit on a timely basis.

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

Significant emphasis is placed on the need for a strong anti-fraud culture within local authorities. To reduce the risk of fraud and corruption, authorities need to ensure that they have adequate arrangements in place to maintain proper standards of financial conduct, and to prevent and detect fraud and corruption. Auditors are required to consider whether the audited body has put in place such arrangements.

We completed an overall review of the council's arrangements and found them generally to be satisfactory.

Legality of financial transactions

We reviewed the council's overall arrangements for maintaining the legality of transactions with financial consequences and concluded that arrangements are adequate.

From time to time, we also receive letters from members of the public. We have a responsibility to consider matters raised where these are of a financial nature involving public funds, and to take action where appropriate. The issues raised concerned a wide range of topics.

Where appropriate, we have made investigations and discussed issues arising with officers. A number of matters are subject to ongoing review and will continue to be addressed in next year's audit. There are no matters to bring to members' attention.

We are also currently considering two objections from an elector to the 2002/03 accounts in respect of:

- a lease uplift payment received in respect of Squire's Farmhouse; and
- the sale of Twickenham Golf Course (including the Amida Sports Centre).

Other work

Grant claims

Over recent years, the number of claims requiring audit certification has grown and audit fees have risen in line with this growth.

In accordance with the concept of strategic regulation, the Audit Commission has adopted a more risk-based approach to the certification of grant claims. With effect from 2003/04, the smaller claims have not been subject to audit or have received a lighter touch. The approach to larger claims has been determined by risk and the adequacy of the council's control environment.

The council's arrangements for managing and quality assuring grant claims submitted for audit has improved in recent years. However, there remains some scope for improvement, for example, in ensuring that claims are submitted in all instances required.

There were a number of claims relating to 2001/02 and 2002/03 that were not submitted for audit until 2004. We will therefore carry out a more detailed review of grant arrangements as part of planning for the audit of claims for 2004/05. This should assist in assessing whether there is further scope for reducing fees in this area.

National Fraud Initiative

The council took part in the Audit Commission's National Fraud Initiative (NFI) in 2002/03. The NFI, which is undertaken every two years, brings together data from local authorities, NHS bodies, government departments and other agencies to detect a wide range of frauds against the public sector. Total savings from the 2002/03 exercise exceeded £83 million, of which £122,067 (benefits) and £9,765 (pensions) related to the council.

The Commission is repeating the exercise this year and will again collect payroll, pensions, housing benefits, student loan and housing rents' data from authorities. Alongside the core exercise, a number of pilot initiatives are being undertaken at selected sites. These are focused on risk areas that were highlighted by authorities and include payments made to privately run care homes, abuse of blue badge parking permits, serial insurance claimants and duplicate payments to suppliers. These pilot areas, if they prove effective, will be incorporated into future NFI exercises.

Looking forward

Future audit and inspection work

We have an agreed plan for 2004/05 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 2004/05 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.

We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the council.

Members will be aware that your appointed auditor for financial year 2005/06 onwards will be Pannell Kerr Foster (PKF). Over the next 12 months, we will work with PKF to ensure a smooth audit handover as we complete the 2004/05 audit. The plan of work for 2005/06 will be produced by the Relationship Manager (who we expect to continue to be Michael Haworth-Maden) and the appointed auditor, PKF. We will continue to work with other inspectorates and regulators to develop a co-ordinated approach to regulation, as well as take account of CPA scores and your own analysis of improvement priorities.

Revision to the Code of Audit Practice

The Audit Commission has consulted on a revised Code of Audit Practice for application to the audit of the 2005/06 accounts. The new Code, which will be laid before Parliament in January 2005, is designed to secure:

- a more streamlined audit, that is proportionate to risk and targeted on areas where auditors have most to contribute to improvement;
- a stronger emphasis on value for money, focusing on bodies' corporate performance and financial management arrangements (rather than individual services and functions); and
- better and clearer reporting of the results of audits.

Further details will be provided in the audit and inspection plan 2005/06.

CPA 2005 and beyond

The Audit Commission has also consulted on a new framework for CPA in 2005 and beyond. The main changes proposed are as follows:

- rationalisation of service blocks;
- 'achievement' assessment element of corporate assessment to be driven by review of community plan and shared priority themes;
- move away from rigid numerical model, to one based on rules;
- corporate assessments to be undertaken on rolling programme, integrated with joint area reviews of children and young people;
- stronger focus on service delivery for users and customers; and
- more robust and explicit view of value for money and cost-effectiveness.

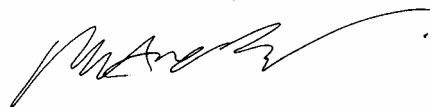
Closing remarks

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 Cabinet and to the Strategy and Resources Overview and Scrutiny Committee in February 2005.

The council has taken a positive and constructive approach to our audit and inspection work. I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

Availability of this letter

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 and District Auditor

January 2005

Status of our reports to the council

Our annual audit and inspection letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Annual audit and inspection letters are prepared by relationship managers and appointed auditors and addressed to members and officers. They are prepared for the sole use of the audited and inspected body, and no responsibility is taken by the Audit Commission or its appointed auditors to any member or officer in their individual capacity, or to any third party.

Reports issued during 2004

Reports issued	Date
Culture RPA	March 2004
Environment RPA	March 2004
Review of SEN	March 2004
Educational achievement of LAC	May 2004
Audit plan 2004/2005	June 2004
Supporting people inspection	June 2004
Social services data quality review	July 2004
Certificate on the 2000/2001 accounts	September 2004
Certificate on the 2001/2002 accounts	September 2004
SAS 610	October 2004
Opinion on the 2003/2004 accounts	October 2004
Culture inspection	October 2004
Planning inspection	October 2004
YOT data quality	November 2004
Opinion on the 2004/2005 BVPP	November 2004
HR management	December 2004
CPA scorecard	December 2004

Objectives of audit and inspection

Audit

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.

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 below.

EXHIBIT 6 - THE THREE MAIN ELEMENTS OF OUR AUDIT OBJECTIVES



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.
- BVPP.

Inspection

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

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

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.

Audit and inspection fees

Update

Area	Actual 2002/03 £000	Plan 2003/04 £000	Actual 2003/04 £000
Accounts	87	90	90
Financial aspects of corporate governance (note 1)	80	54	54
Performance	20	93	93
TOTAL CODE OF AUDIT PRACTICE FEE	187	237	237
Inspection (note 2)	119	43	43
Grant claim certification (note 3)	73	76	76
Additional voluntary work	0	0	0
TOTAL AUDIT AND INSPECTION FEE	379	356	356

- (1) Work is currently in progress on the two objections to the 2002/03 accounts referred to in the legality section of this letter. It is too early to estimate the fees for this work.
- (2) Inspection fees are net of ODPM grant received.
- (3) The grant claim audit continues into 2005 and the actual fee reported is our current estimate of the likely fee for the 2003/04 certification work.