

Progress report

June 2011

London Borough of Tower Hamlets

Audit 2010/11

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Introduction

1 The purpose of this report is primarily to provide the Audit Committee with an update on progress in delivering the 2010/11 audit plan and in planning the 2011/12 audit. It also highlights key national emerging issues and developments which may be of interest to members of the Committee.

2 If you require any additional information regarding the issues included within this report, please contact your District Auditor, Jon Hayes, or your Engagement Manager, Sally-Anne Eldridge, using the contact details set out in table 1 on page 7 of this report.

Summary of progress

2010/11 audit plan

3 Outline 2010/11 plans and fees for the audits of the Council and its Pension Fund were presented to the Audit Committee in June 2010. We presented our detailed plans, including the risks identified, to the Audit Committee at its March 2011 meeting. Appendix 1 sets out progress in reporting the audits.

2010/11 opinion work

4 The opinion audit is progressing well. We have continued to maintain regular communication with the finance team to identify and resolve potential issues early.

5 Our Technical Unit hosted a series of workshops for local government accountants in February and March 2011. Council officers attended one of these workshops which covered our planned approach to issues related to the preparation and audit of the 2010/11 financial statements.

Interim audit

6 The interim audit is substantially complete. This has involved updating our understanding of the Council's control environment, updating our documentation of the key financial systems and testing the key controls within those systems (covering all systems over a three year cycle) to support our opinion on the financial statements.

7 As in previous years, we are planning to place reliance on some of the controls in the Council's material financial systems. This will reduce the amount of testing that we are required to undertake at our final audit on the entries in the financial statements.

8 There are no issues arising from our work to date to bring to your attention. However, work is ongoing on the payroll system and the accounts payable system. In previous years, I have reported weaknesses in the payroll system to this Committee.

Assurances from the Audit Committee

9 In order to comply with International Standards on Auditing (UK&I) 240 and 250, we are required to obtain an understanding of how the Audit Committee, as those charged with governance, exercises oversight of management's processes in relation to fraud and legality.

10 A paper entitled 'Enquiries to those charged with Governance' has been shared with the Council to support our work in this area. We received a response which had been agreed with the Chair of the Audit Committee: the response is attached in appendix 4.

International Financial Reporting Standards (IFRS)

11 Local authorities are preparing their accounts under IFRS from 2010/11. In the Audit Commission publication, 'The final countdown: IFRS in local government' (March 2011), the Commission highlighted the key steps local authorities should now be taking for 2010/11 and the longer term.

12 We have been working with officers on an ongoing basis in preparation for the implementation of IFRS in the 2010/11 financial statements.

13 In March, officers provided IFRS re-stated core financial statements as at 1 April 2009 and 31 March 2010. We have completed an initial review of the information provided. Audit work is ongoing and will need to be revisited once the full 2010/11 financial statements are presented for audit. There are, however, no issues to bring to your attention from our work to date.

2010/11 value for money (VFM) conclusion

14 The audit plan presented to the Audit Committee at its last meeting outlined three specific risks to the VFM conclusion in 2010/11.

- Weaknesses have been reported in the Council's material financial systems.
- The Council has made significant changes to its medium term financial plan in response to the recession, Comprehensive Spending Review (CSR) and the resulting increased financial pressures.
- In response to the move to a mayoral system, the Council has updated its governance arrangements.

15 Our work to inform the VFM conclusion is in progress. No matters have arisen from our work to date to report to you.

Anti-fraud work

16 The Audit Commission undertakes an annual national fraud and corruption survey. The survey collects important information from local government bodies about a wide range of fraud and corruption issues, including housing tenancy and procurement fraud. The survey is the only one of its kind in the public sector.

17 For financial year 2009/10, over 94 per cent of organisations responded to the survey. The results showed that local government had been successful in detecting over 119,000 cases of fraud and corruption committed against it, the majority relating to housing and council tax benefit fraud, equating to more than £135 million lost to public services.

18 The Commission commenced its survey for the 2010/11 financial year on 8 April 2011. By helping to build a picture of the levels of identified fraud and corruption in local government across England, the survey can be used to inform the national debate, and develop national and local strategies, on combating fraud and corruption.

19 We welcome the Council's participation in the survey and will consider the Council's submission as part of our work to support our VFM conclusion. The survey results will be published in the Commission's national report to be entitled 'Protecting the Public Purse 2011' later this year.

2011/12 audit fees letters

20 Our initial plans for the 2011/12 audits of the Council and its Pension Fund were set out in letters to the Chief Executive on 17 March 2011. These will be followed up with detailed plans for the audits early next year. The initial fee letters are attached at appendix 2.

21 The Audit Commission consulted on the proposed work programme and scales of fees for local government for 2011/12. The final agreed programme and scale resulted in a significant reduction in audit fees to reflect the new approach to local VFM audit work.

22 For 2011/12, the Audit Commission has also specified the scale audit fee for each individual body. This is intended to increase transparency and ensure planned reductions are delivered on the ground. The Council's plans as included at appendix 2 reflect these reductions.

Audit Commission developments

Future of the Audit Commission

23 The Department for Communities and Local Government (DCLG) announced in August 2010 plans to abolish the Audit Commission and put in place new arrangements for auditing England's local public bodies. DCLG is currently consulting on its proposals for the new audit regime and plans to publish a draft Bill for further scrutiny and comment later in the year. The new regime will see the end of the Commission's responsibilities for overseeing and commissioning local audit and its other statutory functions, including those relating to studies into financial management and value for money.

24 The Commission is working with DCLG to develop an approach to transferring its existing in-house Audit Practice into the private sector. DCLG's provisional view is that its preferred route is to ask the Commission to invite bids for all existing Audit Practice audit appointments from 2012/13 onwards from private sector firms, with the option of an in-house Audit Practice bid which could form the basis of a new employee-owned, or mutual, organisation.

25 We have discussed developments with the Chief Executive and have reaffirmed the Commission's, and our own, commitment to delivering a high quality and effective audit service for 2010/11 and 2011/12. We will update the Committee on developments at its meeting.

Recent publications

26 The Audit Commission publishes independent reports which highlight risks and good practice to improve the quality of financial management in local government and encourage continual improvement in public services including in the field of public health and health inequalities. Some of the recent reports are summarised in appendix 3 and are also available on the Commission website at:

<http://www.audit-commission.gov.uk/nationalstudies/localgov/pages/default.aspx>

Contact details

Table 1: **Contact details**

Name	Telephone	Email
Jon Hayes District Auditor	07789 032622 0844 798 2877	j-hayes@audit-commission.gov.uk
Sally-Anne Eldridge Senior Audit Manager	07815 954026 0844 798 2287	s-eldridge@audit-commission.gov.uk
Shona Milton Audit Manager	07812 157709 0844 798 2658	s-milton@audit-commission.gov.uk

Appendix 1 Key deliverables

Table 2: **Progress on key deliverables**

Audit plan content	Target for draft report	Actual reporting date to officers
Initial fee letters	April 2010	April 2010
Opinion audit plans	April 2011	March 2011
Annual governance reports	September 2011	Report not yet issued
Opinion on the financial statements and value for money conclusion	September 2011	Report not yet issued
Final accounts memorandum (if appropriate)	October 2011	Report not yet issued
Annual audit letter	November 2011	Report not yet issued
Report on certification of grant claims	February 2012	Report not yet issued

Appendix 2 Fee letter 2011/12

17 March 2011

Mr Kevan Collins
Chief Executive
London Borough of Tower Hamlets
Town Hall
Mulberry Place
5 Clove Crescent
London
E14 2BG

Direct line
Email

0844 798 2877
j-hayes@audit-
commission.gov.uk

Dear Kevan

Annual audit fee 2011/12

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at Tower Hamlets Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2011/12. The audit fee covers the:

- audit of the financial statements;
- value for money conclusion; and
- whole of government accounts.

As I have not yet completed my audit for 2010/11 the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses.

Audit fee

The Audit Commission proposes to set the scale fee for each audited body for 2011/12, rather than providing a scale fee with fixed and variable elements. The scale fee reflects proposed decreases in the total audit fee, as follows:

- no inflationary increase in 2011/12 for audit scale fees and the hourly rates for certifying claims and returns;
- a cut in scale fees resulting from our new approach to local VFM audit work; and
- a cut in scale audit fees of 3 per cent for local authorities, police and fire and rescue authorities, reflecting lower continuing audit costs after implementing IFRS.

The scale fee for Tower Hamlets Council is £462,150. The scale fee is based on the planned 2010/11 fee, adjusted for the proposals summarised above, shown in the table below. Variations from the scale fee will only occur where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee.

Audit area	Scale fee 2011/12	Planned fee 2010/11
Audit fee	£462,150	£513,500
Certification of claims and returns	£96,000	£105,000

I will issue a separate audit plan in March 2012. This will detail the risks identified to both the financial statements audit and the VFM conclusion. The audit plan will set out the audit procedures I plan to undertake and any changes in fee. If I need to make any significant amendments to the audit fee, I will first discuss this with the Director of Resources. I will then prepare a report outlining the reasons the fee needs to change for discussion with the audit committee.

I will issue several reports over the course of the audit. I have listed these at appendix 1.

The fee excludes work the Commission may agree to undertake using its advice and assistance powers. We will negotiate each piece of work separately and agree a detailed project specification.

Audit team

Your audit team must meet high specifications and must:

- understand you, your priorities and provide you with fresh, innovative and useful support;
- be readily accessible and responsive to your needs, but independent and challenging to deliver a rigorous audit;
- understand national developments and have a good knowledge of local circumstances; and
- communicate relevant information to you in a prompt, clear and concise manner.

The key members of the audit team for 2011/12 are shown overleaf.

Name	Contact details	Responsibilities
Jon Hayes Engagement Lead	j-hayes@audit-commission.gov.uk 0844 798 2877	Responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive and Chair of Audit Committee and issuing the auditor's report.
Sally-Anne Eldridge Engagement Manager	s-eldridge@audit-commission.gov.uk 0844 798 2287	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Resources.
Shona Milton Audit Manager	s-milton@audit-commission.gov.uk 0844 798 2658	Manages the day to day delivery of the work and leads the on-site team in delivering the audit. Key point of contact for the Service Head, Corporate Finance and the finance team.

I am committed to providing you with a high-quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me. Alternatively you may wish to contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely

Jon Hayes
District Auditor

cc Chris Naylor, Director of Resources

Sally-Anne Eldridge, Senior Audit Manager, Audit Commission.

Annex 1 - planned outputs

We will discuss and agree our reports with officers before issuing them to the audit committee.

Table 3:

Planned output	Indicative date
Audit plan	March 2012
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Final accounts memorandum (to the Director of Resources)	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013

Appendix 2 Pension fund fee letter 2011/12

17 March 2011

Mr Kevan Collins
Chief Executive
London Borough of Tower Hamlets
Town Hall
Mulberry Place
5 Clove Crescent
London
E14 2BG

Direct line
Email

0844 798 2877
j-hayes@audit-
commission.gov.uk

Dear Kevan

Tower Hamlets Pension Fund Annual audit fee 2011/12

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year for the Tower Hamlets Pension Fund. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2011/12.

As I have not yet completed my audit for 2010/11 the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses.

Audit fee

The Audit Commission proposes to set the scale fee for each audit for 2011/12, rather than providing a scale fee with fixed and variable elements. The scale fee for the Tower Hamlets Pension Fund is £35,000, which is the same as the planned fee for 2010/11. Variations from the scale fee will only occur where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee.

I will issue a separate audit plan in March 2012. This will detail the risks identified to the financial statements audit. The audit plan will set out the audit procedures I plan to undertake and any changes in fee. If I need to make any significant amendments to the audit fee, I will first discuss this with the Director of Resources. I will then prepare a report outlining the reasons the fee needs to change for discussion with the audit committee.

I will issue several reports over the course of the audit. I have listed these at Appendix 1.

The fee excludes work the Commission may agree to undertake using its advice and assistance powers. We will negotiate each piece of work separately and agree a detailed project specification.

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- understand national developments and have a good knowledge of local circumstances; and
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The key members of the audit team for 2011/12 are:

Name	Contact details	Responsibilities
Jon Hayes Engagement Lead	j-hayes@audit-commission.gov.uk 0844 798 2877	Responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive and Chair of Audit Committee and issuing the auditor's report.
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Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely

Jon Hayes
District Auditor

cc Chris Naylor, Director of Resources

Sally-Anne Eldridge, Senior Audit Manager, Audit Commission.

Annex 1 - planned outputs

We will discuss and agree our reports with officers before issuing them to the audit committee.

Table 4:

Planned output	Indicative date
Audit plan	March 2012
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements	September 2012

Appendix 3 Summary of recent Audit Commission publications

Improving value for money in adult social care (2 June 2011)

'Improving value for money in adult social care' is the first in a series of briefings that will look at value for money in health and social care.

This briefing finds that, as demographic change and financial pressures combine to create tough times for adult social care, councils have looked at many aspects of the service in order to provide better, more efficient services.

Better procurement, improved back office arrangements, and a preference for community-based rather than residential care where possible, are just some of the changes that local authorities have implemented to help them meet the challenges they face.

But the briefing also finds that the pace and scale of change need to increase if councils want to release material savings, as well as improve care for people.

Going the distance - Achieving better value for money in road maintenance (26 May 2011)

The report looks at the challenges faced by the country's 152 council highways authorities. England's 236,000 miles of local roads - used by 30 million drivers every day - are under attack from increasing traffic, severe winters, higher repair costs, and dwindling highways funding.

The report highlights how councils can get more for their money, including cost-saving collaborations with neighbours, asset management to show when road maintenance will be most effective, new ways of keeping residents informed, and weighing short-term repairs against long-term resilience.

It includes a series of case studies which demonstrate how some councils have developed strategies that balance growing service demands with reducing resources.

Services for Young People: Value for Money self-assessment pack (19 April 2011)

This is a [free self-assessment pack](#) resulting from collaboration between the Audit Commission and the Confederation of Heads of Young People's Services (CHYPS). It aims to help make sure money spent on services for young people is well used and has the right impact.

Already piloted in six areas, it has been credited with:

- helping statutory and voluntary providers to begin longer-term reviews of provision, staffing and costs;
- increasing self-awareness among managers and staff about council youth services;
- stimulating discussion between partner organisations on improvement and how to achieve better value for money;
- identifying some 'quick wins'- for example, doing more to celebrate young people's achievements; and
- generally raising the profile of youth services.

The pack is organised into five modules which take users through a structured assessment of their services, drawing on their own and comparative data about spending and outcomes. It then helps them prepare an action plan to provide the best value for money services for young people, specifically tailored to their area and its resources.

'Services for Young People: Value for Money Self-Assessment Pack' is a voluntary, online, self-assessment tool aimed at elected members and senior staff with an interest in services for young people. It is relevant to all councils, fire and rescue authorities, the police, voluntary and private sectors - indeed anyone who is involved in commissioning or delivering services locally for young people.

In 2009 the Audit Commission report [Tired of Hanging Around](#) showed how sport and leisure activities could prevent young people being drawn into anti-social behaviour. It found that a young person caught up in the criminal justice system costs the taxpayer £200,000 by the age of 16, but one needing support to stay out of it costs less than £50,000. The report identified a need for councils and their partners to improve resources for young people. This new resource is designed to complement it.

Better value for money in schools (31 March 2011)

These four briefings are designed to help schools make the best use of their workforce - whether teachers, teaching assistants, or administration and finance staff - at a time when they have to find savings.

England's maintained schools spent £35 billion in 2009/10. School staff account for over three-quarters of this total and form one of the country's largest public sector workforces.

These briefings, under the heading 'Better Value for Money in Schools', examine patterns in spending in maintained schools in England. They aim to help school heads, governing bodies and councils control costs without compromising educational attainment.

They look at four areas where schools have scope to improve efficiency:

- the deployment of classroom staff, including class sizes and allocation of teachers and teaching assistants;
- the breadth and focus of schools' curriculum offer;

- approaches to covering for staff absence, including supply teachers; and
- the size, cost and composition of the wider (non-teaching) school workforce.

In addition we published a summary paper, 'An overview of school workforce spending', which is targeted at chairs of governing bodies and lead members on children's services.

For more information about the briefings you can email schoolsworkforce@audit-commission.gov.uk.

Appendix 4 Enquiries to those charged with Governance - London Borough of Tower Hamlets response

Table 5: **Questions to those charged with governance**

ISA240

Question	Response
<p>Are you aware of any actual, suspected or alleged fraud?</p>	<p>Yes, the audit committee receives regular reports from the anti fraud team setting out the types and significance of frauds across the authority. In line with our protocols, all significant frauds in between meetings would be reported to the Cabinet Member and me as the Chair of the Audit Committee.</p> <p>At the end of the financial year, the Audit Committee also receives an annual report summarising the work of the anti fraud team.</p>
<p>Has management disclosed to you the conclusion of its assessment over the risk of fraud within the financial statements of both the Council and the Pension Fund?</p>	<p>The briefing note accompanying the statement of accounts highlights any significant risk around fraud within the financial statement of both the Council and Pension Fund. This was presented to the Audit Committee on 29 June and full Council meeting on 10 July.</p>
<p>Have you considered the risk of material misstatements (misreporting) by management in relation to both the Council and the Pension Fund?</p>	<p>This was discussed at the Audit Committee on 13 July 2010, following a presentation by the Audit Commission.</p>
<p>What is the Audit Committee's assessment of the impact of misappropriation on the financial statements of both the Council and the Pension Fund?</p>	<p>From the information we have received from officers and the anti fraud team, the impact of misappropriation on the financial statements is regarded as low.</p>
<p>What oversight have you exercised over management's processes for identifying and responding to the risks of fraud, and the controls put in place by management to mitigate those risks? See appendix 1.</p>	<p>The Audit Committee's TOR set out clearly the role of the committee in being the body responsible for receiving and scrutinising the authority's arrangements for fraud. A number of processes are in place for management to report fraud such as whistle blow procedures/audit/ fraud team etc and for these to be reported regularly to the committee.</p>

Question	Response
	Over the last year, we have received reports from the Anti Fraud team that have highlighted reactive and proactive fraud work and the nature and range of frauds.
How do you exercise oversight of management's processes in relation to: communication to employees of views on business practice and ethical behaviour; and communication to those charged with governance the processes for identifying and responding to fraud.	There has been some communication to staff of business practices via Tower Hamlets now, the intranet etc, but a systematic approach for communication with employees is not in place. The communication arrangements for those charged with governance is in place via the Audit Committee via the annual refresh of the Council's anti fraud arrangements.

Table 6: **Questions to those charged with governance**

ISA250

Question	Response
Are you aware of any non-compliance, by either the Council or the Pension Fund, with relevant laws and regulations?	Not aware of any material non compliance with the council or the pension with laws or regulations.
If there have been instances of non-compliance, has the Audit and Performance Committee ensured that these have been brought to the attention of the auditor?	Protocols are in place for raising matters with those charged with governance and the external auditor and for ensuring the matter is pursued as necessary.
If there have been instances of non-compliance, what oversight has the Audit and Performance Committee had to ensure that actions are taken by management to address any gaps in control?	The Audit Committee receives regular reports that highlight failure to comply with laws, regulations, policies, procedures etc. The report set out the nature of the issue and management is asked to respond to the matter raised at the Committee (as the accountable person). The matter is minuted and the audit committee receives updates to ensure appropriate action can be taken, including further updates from management and the Audit Committee recommendation to improve governance.
How do you gain assurance that all relevant laws and regulations have been complied with?	From a number of sources including the work of: <ul style="list-style-type: none"> ■ external audit; ■ internal audit; ■ assurances from management; ■ risk management; and ■ overall governance arrangements of the council.

Table 7: **Questions to those charged with governance**

ISA 570

Question	Response
Have you assessed the process management has followed in forming a view on going concern of the Council and the assumptions on which that view is based? See appendix 2.	The assessment of the process followed formed part of the papers submitted to the Audit Committee in June/September 2010.
Have you assessed the process management has followed in forming a view on going concern of the Pension Fund and the assumptions on which that view is based? See appendix 2.	The assessment of the process followed formed part of the papers submitted to the Audit Committee in June/September 2010.

Table 8: **Questions to those charged with governance**

ISA 580

Question	Response
Have you made suitable arrangements to consider the letter of management representations, acknowledging their collective responsibility towards the financial statements?	This is an agreed protocol with the Audit Commission and includes the roles and responsibilities around the financial statements.

Annex 2 – Fraud

Question	Management response
What was management’s assessment of the risk that the financial statements may be materially misstated due to fraud and what were the principal reasons?	The risk that the financial statements may be materially misstated due to fraud is regarded as below low. In making this assessment, management has relied upon the a number of assurance providers, chiefly: <ul style="list-style-type: none"> ■ the risk of fraud identified by management on risk registers is low; ■ the annual governance statement has not identified fraud risk as an area of concern; and ■ the work of the corporate anti fraud team and that of other fraud teams across the authority.
What process was employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	Broadly, the general risks around fraud were considered and their implications of financial statements assessed. From this exercise, none of the fraud that we are aware of was regarded significant in relation to the financial statement.

Question	Management response
<p>Management’s awareness of any actual or alleged instances of fraud?</p>	<p>The S151 officer and the monitoring officer receive regular updated on actual or alleged instances of fraud from the Head of Audit and the Service Head, Risk Management and Audit. Both officers also receive updates from their management. The Corporate Management team is appraised of all actual or alleged frauds by regular reports of the Anti fraud team.</p>
<p>How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties (including employees) and when?</p>	<p>A governance framework is in place through various policies/procedures and guidance that set out the ethics and behaviour standards including; codes of conduct, procedures around hospitality and gifts, declarations of interests, member officer protocols etc. These are all maintained on the Council intranet. The Standards Committee receives regular updates and would look into any suggestion of poor governance in this area. The Audit Committee will also have a role around internal control/risk and governance.</p>
<p>What arrangements are in place to report fraud to those charged with governance?</p>	<p>The Audit Committee is the body charged with delivering good governance. The Audit Committee receives quarterly updates on the Council’s response to actual and purported fraud including work on NFI/ Parking Fraud/Homelessness/Benefit Fraud and any other types of fraud. The Audit Committee also receives an annual report summarising the activity for the year.</p>
<p>Do all of the above arrangements and responses also apply to the Pension Fund? Are there any additional anti-fraud arrangements in place for the Pension Fund, particularly in relation to outsourced administration function and fund management?</p>	<p>The activities of the anti fraud team capture all activities of the Council which includes the pension fund. In addition however, the authority also employs a private company to act as the custodian of the council’s pension investment, who would bring fraud related matters to the attention of the Council.</p>

Annex 2 – Going concern

Question	Management response
How has management formed a view on going concern?	From a review of the council’s financial statements including consideration of reserves and balances, future commitments, contingencies and liabilities, cashflows. For Pensions, there are specific statutory regulations that govern the assessment of going concern.
What principal assumptions have been used in reaching this view and why does management feel the assumptions are appropriate?	<p>The principal assumptions are:</p> <ul style="list-style-type: none"> ■ a balanced budget; ■ affordable borrowing; ■ level of reserve; ■ medium term financial plan (MTFP); and ■ the Council’s systems of internal financial control. <p>In deciding on the going concern of the authority, assurances have been sought from management over the principal assumptions and comfort obtained.</p>
Is the above consistent with the strategic business plan and the financial information provided to you throughout the year?	Yes, reported to the Cabinet quarterly and CMT monthly.
Have there been any significant issues raised with you during the year (eg, adverse comment by internal and external audit on weaknesses in systems of financial control, or significant variances to activity levels compared to those planned), which could cast doubts on the assumptions made?	None.
Have the implications of any known statutory or policy changes been appropriately reflected in the business plan and financial forecasts (eg the impact of IFRS)?	<p>Impact of IFRS, the higher valuation fees (for Capital assets) and cost if existing contract review all taken into account in the MTFP.</p> <p>The other significant agenda with significant financial consequences is the Transformation agenda, which is looking to reduce the Council’s financial resource by £75k over three years.</p>
<p>Does a review of available financial information (annual accounts, in-year financial monitoring reports, future year financial forecasts) identify any of the following adverse financial indicators:</p> <ul style="list-style-type: none"> ■ negative cash flow (ie, expenditure 	A three year review of capital financing (cashflow) has been carried out with a view of maintaining sufficient cashflow for the proper financial management of the Council.

Question	Management response
<p>greater than income); and</p> <ul style="list-style-type: none"> ■ the need to take out new loans <p>If so, what action is being taken to improve financial performance?</p>	
<p>Does the organisation have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?</p>	<p>Yes, the level of vacancy at senior levels has been reduced and this is particularly the case for key financial posts, although the need to make financial savings may have an impact in future.</p>
<p>Have management formed a view on the going concern status of the Pension Fund, taking into account relevant financial and performance information, known statutory and policy changes and organisation capacity? Why does management feel that this view is appropriate?</p>	<p>Management has considered the status of the pension fund and consider it a going concern as its liabilities will have to be met from the general reserves of the Council.</p>

Annex 3 - Laws and regulations

Question	Management response
<p>How have you gained assurance, for both the Council and the Pension Fund, that all relevant laws and regulations have been complied with?</p>	<p>Assurance obtained from management in the form of completion of a CIPFA checklist to assess compliance, accounts and audit regs and the legal sign off.</p>
<p>Are there any potential litigations or claims that would affect the financial statements of either the Council or the Pension Fund?</p>	<p>None that significant that I am aware of.</p>

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