

**Three Rivers District Council**

**Annual Audit Letter**

**December 2002**

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## **APPENDIX A**

**Best Value Performance Plan Certificate**

**Best Value Performance Plan Action Plan**

## **APPENDIX B**

**Unadjusted Difference in 2002 Accounts.**

• **INTRODUCTION**

1.1 We are in the process of completing our audit of Three Rivers District Council for the year ended 31 March 2002. The audit has been carried out in order to discharge our responsibilities as set out in the Audit Commission's *Code of Audit Practice* (the Code) and *Statement of Responsibilities of Auditors and of Audited Bodies*.

1.2 This letter presents for Members the findings of our audit work for 2001/02. Detailed points and recommendations arising have been communicated to officers by way of individual memoranda.

**The Focus of Our Audit**

1.3 The risk-based focus of our 2001/02 audit is set out in our Outline Audit Plan (OAP) which was agreed by Officers and issued in March 2002. The audit focuses on the key issues for the Authority whilst ensuring that the audit objectives and requirements of the Code are fully addressed.

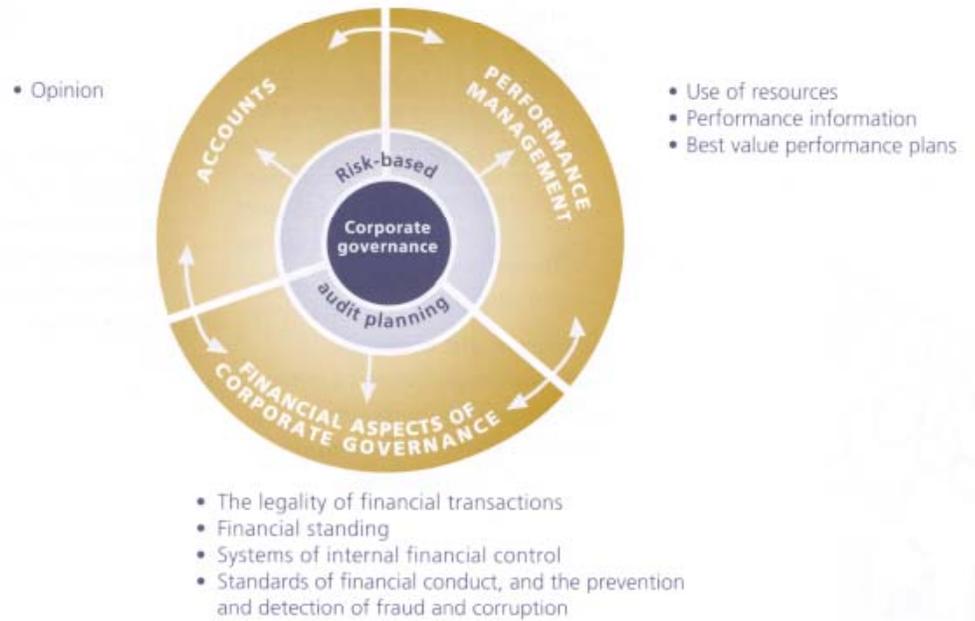
**Code of Audit Practice**

1.4 The diagram below represents the Audit Commission's model of public audit that forms the basis of Code applicable to 2001/02 audits. The Code sets out auditors' responsibilities in relation to each of the elements of the audit.



**The Commission's model of public audit**

The Commission's model of public audit reflects the concept of an 'integrated audit'.



Source: Audit Commission

### Structure

1.5 In order that Members can clearly follow the progress of our audit from planning through to final reporting, this report structure matches that of the OAP.

### Our Overall Conclusions

1.6 During the year Officers and Members have continued to respond to the modernisation agenda for local government, with the pathfinder ICT project, the further development of performance management within the Authority and the voluntary self assessment undertaken in preparation for Comprehensive Performance Assessment (“CPA”). The internal control arrangements have been strengthened with improved monitoring arrangements for the implementation of audit recommendations and progress has also been made in addressing the backlog of arrears.

1.7 Following the recent peer review by IDEA it will be important to focus on the priorities for improvement planning which, in our view, include:

- Developing a risk management framework that is embedded within the Authority and which actively supports the delivery of the corporate objectives;
- Further developing the links between service and financial planning to ensure that adequate resources are available to deliver the Council’s key priorities, within the limited resources likely to be available;
- Reviewing the decision making structures to ensure that the role of Scrutiny is clarified and made more effective; and
- Further developing the performance information systems to ensure that they give an accurate measure of performance throughout the year.

1.8 We set out below our conclusions in respect of the key issues identified in our OAP and during the course of our audit (Figure 1):

<b>Figure 1: Key Issues</b>		
<b>Issue</b>	<b>Our conclusions</b>	<b>Member action points</b>
<div style="border: 1px solid black; border-radius: 15px; padding: 5px; width: fit-content; margin: 0 auto;">                     COMPREHENSIVE                      PERFORMANCE                      ASSESSMENT                      (“CPA”)                 </div>	<ul style="list-style-type: none"> <li>• The Authority has started a self assessment process and has commissioned a peer review from IDEA. Further work will be required to prepare for the cross cutting inspections and to fully develop Corporate Governance arrangements under the CIPFA / SOLACE guidance.</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>Members should continue to monitor progress in preparing for CPA.</b></li> </ul>

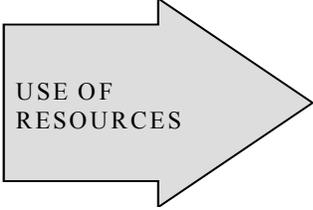
<b>Figure 1: Key Issues (cont...)</b>		
<b>Issue</b>	<b>Our conclusions</b>	<b>Member action points</b>
<p>BEST VALUE</p>	<ul style="list-style-type: none"> <li>The Authority produced a plan that was in all significant respects compliant with the Local Government Act 1999.</li> </ul>	
<p>PERFORMANCE MANAGEMENT</p>	<ul style="list-style-type: none"> <li>Performance management arrangements have continued to develop although the links between service and financial planning should be strengthened.</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>Members should continue to monitor progress in developing performance management arrangements.</b></li> </ul>
<p>FINANCIAL STANDING</p>	<ul style="list-style-type: none"> <li>Progress has been made in addressing the arrears backlog. Further work is required to assess the underlying sustainability of the revenue and capital budgets.</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>Members should continue to monitor progress in developing policy based budgeting.</b></li> </ul>

<p>RECRUITMENT AND RETENTION</p>	<ul style="list-style-type: none"> <li>The Authority has identified the reasons for the recruitment and retention difficulties and is taking appropriate action to address them.</li> </ul>
<p>DEMOCRATIC RENEWAL</p>	<ul style="list-style-type: none"> <li>New structures have been put in place and a Code of Conduct has been adopted. The effectiveness of the new structures is under review.                     <ul style="list-style-type: none"> <li>➤ <b>Members should consider our comments on the new structures in their review.</b></li> </ul> </li> </ul>
<p>e-GOVERNMENT</p>	<ul style="list-style-type: none"> <li>The Authority is making good progress on implementing electronic service delivery arrangements.</li> </ul>

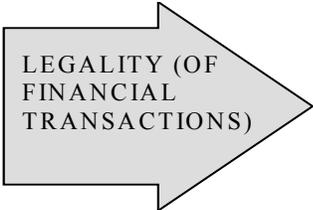
Source: PKF

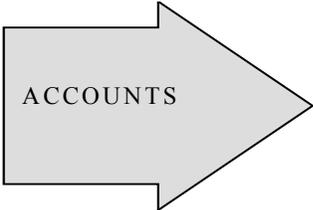
1.9 The table below sets out our overall conclusions on each of the Code areas:

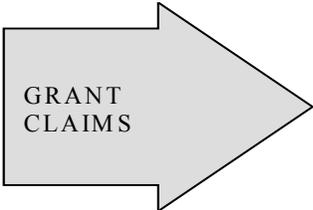
Figure 2: Overall Code area conclusions		
Audit objective	Our conclusions	Member action points

<b>Aspects of Performance Management – Section 2</b>		
	<ul style="list-style-type: none"> <li>• We have issued an unqualified opinion on the 2002 BVPP published by the Authority, which in all significant respects complied with the requirements of the Act.</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>We recommend that Members monitor progress in developing the 2003 BVPP in the light of our recommendations.</b></li> </ul>
	<ul style="list-style-type: none"> <li>• The Authority is making good progress and is effectively managing new initiatives.</li> <li>• Corporate Governance arrangements should be further developed, particularly the risk management framework within the Authority.</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>Members should monitor progress in developing risk management arrangements.</b></li> </ul>
	<ul style="list-style-type: none"> <li>• The involvement of Internal Audit in checking the outturn performance indicators improved the arrangements, but the information initially provided to Internal Audit remained weak.</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>Members should monitor progress in further improving the performance information systems.</b></li> </ul>
<b>Financial Aspects of Corporate Governance – Section 3</b>		
	<ul style="list-style-type: none"> <li>• The Authority's internal financial control arrangements have</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>We recommend that Members should continue to monitor the</b></li> </ul>

	<p>strengthened with improved monitoring of progress in resolving weaknesses identified, but the monitoring arrangements could be further developed.</p>	<p><b><i>scope and coverage of internal audit and the extent to which recommendations are implemented.</i></b></p>
	<ul style="list-style-type: none"><li>• The arrangements to prevent and detect fraud and corruption appear satisfactory.</li><li>• Progress is being made on implementing the action plan following the BFI visit.</li></ul>	<p>➤ <b><i>Members should continue to monitor the implementation of the action plan from the BFI inspection.</i></b></p>

<i>Figure 2: Overall Code area conclusions (cont...)</i>		
<b>Audit objective</b>	<b>Our conclusions</b>	<b>Member action points</b>
<b>Financial Aspects of Corporate Governance – Section 3 (continued)</b>		
 <p>FINANCIAL STANDING</p>	<ul style="list-style-type: none"> <li>• Budgetary control over revenue remains sound, although still largely incremental.</li> <li>• There has been some slippage in the current year housing capital programme.</li> <li>• The Authority has improved collection rates for the major sources of income.</li> <li>• Whilst the level of reserves is currently adequate, difficult decisions will need to be made to maintain a sound financial position in the medium term.</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>Members should continue to monitor progress on the capital programme, particularly the housing programme. Members should ensure that capital budgets only include projects where the Authority has sufficient capacity to manage and deliver the projects in the year budgeted.</b></li> <li>➤ <b>Members should monitor the Authority's progress in establishing the base budget requirement, to assist them in making the difficult decisions required in allocating the limited resources available.</b></li> </ul>
 <p>LEGALITY (OF FINANCIAL TRANSACTIONS)</p>	<ul style="list-style-type: none"> <li>• Our work has identified no significant weakness in the arrangements for ensuring the legality of transactions and we have received no objections from electors.</li> </ul>	
<b>Accounts – Section 4</b>		
	<ul style="list-style-type: none"> <li>• We anticipate issuing an unqualified opinion on the Statement of Accounts.</li> <li>• The working papers</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>Members should monitor the steps being taken to achieve a quicker close down timetable for the accounts, in anticipation</b></li> </ul>

 <p>ACCOUNTS</p>	<p>supporting the accounts were generally good, although some presentational changes were made to the accounts during the audit.</p>	<p><b><i>of the new Accounts and Audit Regulations due to be implemented in 2003.</i></b></p>
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<i>Figure 2: Overall Code area conclusions (cont...)</i>		
<b>Audit objective</b>	<b>Our conclusions</b>	<b>Member action points</b>
<b>Grant Claims – Section 5</b>		
	<ul style="list-style-type: none"> <li>The arrangements for completing grant claims are soundly based and no significant issues have arisen in the course of our work to date.</li> </ul>	
<i>Source: PKF</i>		

1.10 The remaining Sections of this Annual Audit Letter expand upon the summaries set out above.

**Acknowledgement**

1.11 We would like to take the opportunity to thank the Authority’s staff for their help and co-operation during our audit.