

Annual Audit and Inspection Letter

London Borough of Southwark

INSIDE THIS LETTER

PAGES 2 - 11

- Executive Summary
- Key messages
- Council performance
- Accounts and Governance
- Other work
- Looking forwards
- Closing remarks

PAGES 12 - 15

Appendix 1

- Reports issued during 2003/04

Appendix 2

- Objectives of audit and inspection

Appendix 3

- Audit and Inspection fees

Reference:	Southwark Annual Audit Inspection Letter 190105Final
Date:	January 2005

Executive Summary

The purpose of this Letter

This is our audit and inspection 'Annual Letter' for Members which incorporates the Annual Audit Letter for 2003/04, and 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.

Appendix 3 provides information about the fees charged.

Key messages

Council performance

The Council achieved a GOOD rating in this year's Comprehensive Performance Assessment (CPA). It has made significant progress since the last corporate assessment in 2002.

We congratulate the Council on its achievement. This result reflects the major efforts of officers and Members over the last two years to deliver the ambition to become a 'good' council by 2005. Overall, it has built upon its previous strengths and has improved performance in most areas. Nevertheless, significant challenges remain in some areas, particularly the educational attainment of 11 year olds, and the achievement of the decent homes standard.

We gave an unqualified opinion on the Best Value Performance Plan on 22 December 2004.

The Accounts

We gave an unqualified audit opinion on the Council's 2003/04 financial statements on 16 November 2004. We agreed a number of amendments to the draft accounts in the course of the audit.

Other accounts and governance issues

The Council's overall financial position remains sound. The value of the Pension Fund net assets rose by £89m during 2003/04, but the actuarial deficit on the pension fund increased to £165m at 31 March 2004. Additional funding will be required to meet identified deficits in the coming years.

Arrangements for preventing and detecting fraud and corruption show some improvement. The examples set by Members and Chief Officers in their personal conduct, and their responses when suspicions of fraud arise, are essential to managers' and staff's commitment to fighting fraud and corruption.

We have not identified any significant weaknesses in the framework established by the Council for ensuring the legality of its significant financial transactions. The Council is largely compliant with the requirements of the Local Government Act 2000 in terms of its ethical framework, but some scope for improvement remains.

Action needed by the Council

Members should:

- continue to explore options for achieving the decent homes standard by 2010;
- consider the implications of the actuarial deficit on the pension fund when making the budgets for 2005/06 and beyond;
- continue to prioritise development of the anti-fraud culture; and
- monitor the implementation of action in response to the public interest report issued in 2004.

Council Performance

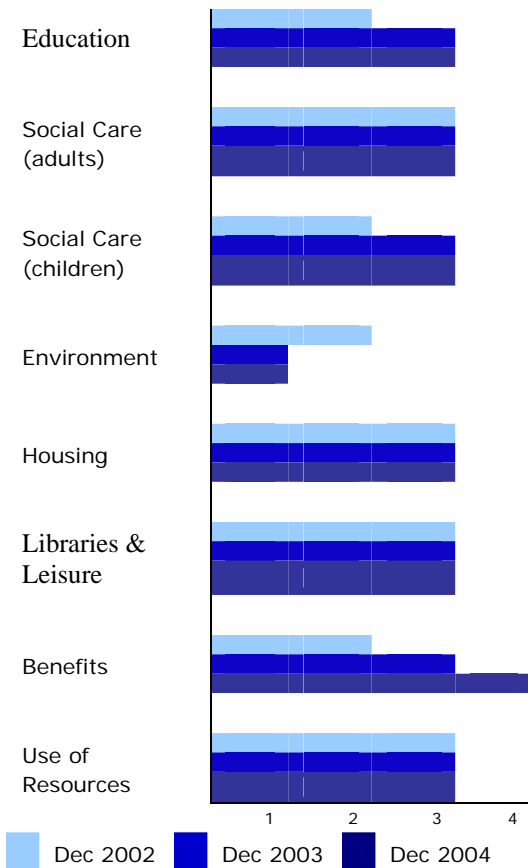
CPA Scorecard

The Council achieved a GOOD rating in this year's Comprehensive Performance Assessment.

Southwark Council continues to be a good council. Exhibit 1 summarises the CPA scorecard.

EXHIBIT 1 CPA SCORECARD 2004

The Council was assessed as GOOD



(Note: 1=lowest, 4=highest)

Southwark Council improved further from being fair to good following a corporate assessment in July 2004. Improvements have been sustained in core services like street cleaning, recycling, and social services as well as those provided in partnerships particularly in the areas of community safety, health and social care. The Council is continuing to invest in improving environmental services, but the outcome from

these has yet to be fed into the CPA score for this service.

This year the Council's social services department was awarded a three star rating, the highest performance rating available. The benefit service's performance has also significantly improved, as has the way the Council conducts its area based regeneration work such as at Elephant and Castle where a better balance between social, physical and economic issues is being achieved. Significant challenges remain however in some areas, particularly the educational attainment of 11 year olds, and the achievement of the decent homes standard.

The Council's vision is underpinned by a clear ambition, and a robust planning and performance management framework in which resources are directed to priorities. The Council has invested in enhanced corporate capacity and information technology and has plans in place to deliver its customer access strategy.

Corporate assessment

Southwark has made significant progress since the last corporate assessment. Overall it has built upon its previous strengths and has improved performance in most areas.

The Council's vision is now underpinned by specific long term and medium term ambitions. These are embedded within its business planning and key strategies and are now driving corporate delivery. Service and financial planning are aligned and resources targeted to priority areas.

Corporate capacity has increased and gaps in key senior posts have been filled. A management development programme is addressing identified skills gaps, for example project management. A comprehensive performance management system is in place, with some examples of integrated performance management systems with health partners. With continued sound financial management, the Council is now better placed to deliver its ambitious agenda. Challenges still remain around building capacity with the voluntary sector and relationships with some school heads and tenants. Whilst the Council has demonstrated delivery of a number of individual large scale projects, its capacity to deliver the

current wide range of large and ambitious projects requires continued vigilance.

The Council has achieved widespread sustained improvements across its services and in cross cutting areas, with a few notable exceptions at key stage 2 and special educational needs. Improvements have been in line with priorities and the Council has continued to receive external recognition for its achievements.

The Council's approach to learning is more proactive. It has become more outward looking and has demonstrated greater willingness to learn. Key plans pivotal to the delivery of urban sustainability, a better balance between physical, social and urban regeneration and a modernised Council are in place. The notable exception to this is a housing options appraisal plan, which is currently being worked on.

Other Audit Commission Inspections

We completed two inspections arising from the Council's internal Best Value review work during 2004:

- Strategic Support Services;
- Community Safety.

Exhibit 2 summarises the results of our work.

EXHIBIT 2 RESULTS OF INSPECTION 2003/04

The Council performed well

Title	Current performance	Prospects for improvement
Strategic Support Services	Good	Promising
Community Safety	Good	Promising

We will follow-up the results of our inspections during next year's audit.

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;
- Commission for Social Care Inspection (CSCI);
- Benefits Fraud Inspectorate (BFI);
- DfES; and
- Local Government Office contact.

We share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received assessments from a number of these inspectorates, the results of which have been included in CPA 2004.

Improvement reports

In this section of the Letter we comment on the progress the Council has made in its priorities for improvement since last year's CPA. Our commentary is structured around the Council's main themes.

Step change in priority services

Educational attainment

We undertook progress reviews of the new education contract during 2004. Overall, the Council and its contractor have made good progress in establishing the new arrangements:

- developing effective working relationships;
- establishing improved performance monitoring arrangements; and
- providing professional support to the Chief Executive in his statutory role as Chief Education Officer.

We identified some issues which should be addressed, including:

- developing a strategy for raising attainment in early years and the youth service;
- adopting a more systematic approach to measuring schools' satisfaction with the local education authority; and
- identifying the reasons for delays in producing statements of need, and taking action in response.

We have agreed recommendations on which the Council is taking action, and we will continue to monitor progress in the coming year.

Housing Benefits

We assessed the Council's progress in implementing its Revenues and Benefits Master Plan in response to some critical reports from the Benefits Fraud Inspectorate and ourselves in previous years. We found that performance against Department of Work and Pensions standards, measured in the Best Value Performance Indicators (BVPIs) has improved greatly: turnaround times for new claims have improved from 120 days in 2000/2001 to 34 days in 2003/04. We also noted a clear understanding amongst members of their role in performance managing the service.

However, more needs to be done to improve the experience of customers. In particular:

- progress has been made in protecting vulnerable people, but accessibility remains a key issue;
- call centre answering times should be improved; and
- there are no formal mechanisms for learning from customer complaints.

Our report included an action plan of recommendations to address these issues. We will follow-up the Council's progress during next year's audit

Improving the infrastructure: ICT, customer care and e-governance

We reviewed the Council's outsourced IT arrangements. The current contract provides a single coordinated support and maintenance programme, delivered through a strategic partnership arrangement. The partnership combines a fairly complex set of aims which underpin the Council's Forward@Southwark modernisation programme, intended to:

- optimise current technical and operational processes;
- deliver more customer-centric services through reliable and secure electronic channels; and
- achieve cost savings.

There is a clear and positive contract management process. Advance IT and Service

Improvement Plans underpin the strategic contract arrangements and are now delivering improvements in management practices.

Opportunities for further improvement exist in:

- further building capacity in client-side management and contract administration;
- rationalising the existing suite of performance indicators; and
- conducting a review of the procurement and contract management processes, to assess the contract's achievement of business benefits, and the level of costs against the predicted benefits, in accordance with best practice.

We agreed an action plan with officers, and we will monitor the implementation of recommendations in the coming year.

Improving corporate capacity and embedding improvement standards

In last year's Letter we reported the conclusions from our review of corporate human resources. This year we followed-up our work to assess the Council's progress.

The Council has improved in a number of important areas, particularly the management development programme and the Forward@Southwark programme. Progress on implementing key HR policies has continued and some policies, e.g. sickness absence management, staff appraisals and work life balance are now close to being fully embedded. Managing performance continues to be a priority, and personal performance appraisals are now in place across most departments.

Further work is necessary to develop the structure and planning of the training function within the Council. The Council has not been successful in meeting some of its targets, in particular Investors in People.

An action plan of recommendations was agreed with officers. We will continue to monitor the Council's progress in this key area.

Other performance work

We completed two significant pieces of work this year focused on the Council's partnership arrangements:

- Integrated children's services; and

- Southwark Alliance.

We also undertook follow-up on the results of our previous performance audit work.

Integrated children's services

We undertook a stock take of the developing arrangements between the Council, the local Primary Care Trust and other partners to meet the government's vision for integrated children's services outlined in *Every Child Matters*.

Our work identified a number of positive features. The Council remains committed to partnership working and has a successful track record of working in partnership. It has built on this experience to take forward the children's agenda. The use of the "Toblerone" analogy as a way of explaining concisely its concept for the delivery of children's services is well understood, spontaneously referred to by staff at all levels and by the partner agencies. The partners are now moving from defining direction into an implementation phase for the children's agenda. To facilitate these developments, the Council has also appointed a Director of Children's Services.

The main factors to take account of to drive progress in the future, common to many such partnerships at this stage, are:

- the need for additional capacity to establish policies and procedures for the integration of services between agencies;
- the need to underpin successful partnership working by establishing effective governance arrangements, particularly detailed schemes of delegation for decision making and pooling of resources; and
- cultural issues around the working practices of professional staff groups and joint management structures which have yet to be addressed.

Our report includes an action plan to address these issues, and we will consider the partners' progress in our future work.

Southwark Alliance

At the request of the Office of the Deputy Prime Minister (ODPM), we undertook a review of the performance management framework (PMF) for the local strategic partnership, Southwark Alliance.

The key strengths in performance management within Southwark Alliance were;

- a protocol for partners at strategic, thematic and area levels which summarises their roles and responsibilities in respect of delivery, monitoring and evaluation of the community strategy and neighbourhood renewal strategy;
- Southwark Alliance's involvement in the Places Initiative assisted in developing a thorough and robust review of delivery, linking causes, actions and outcomes; and
- the provision of development sessions and an awayday for partners from outside statutory agencies to develop their understanding of performance management.

Key areas for further development include:

- completing the overall improvement plan for the Alliance, including actions from the thematic areas;
- finalising mechanisms for reporting progress; and
- providing details of the non-financial resources required to support implementation.

Our report included recommendations in response to the issues raised. We will follow-up progress during the coming year.

Follow-up

The Council recently introduced corporate arrangements to monitor the implementation of recommendations from internal and external audit. We undertook a brief review of these developing arrangements. The system is in its infancy and arrangements for the validation of officer responses and reporting have yet to be fully established. However, this is a positive step and demonstrates the Council's willingness to act in response to audit recommendations. We will continue to monitor the development of follow-up arrangements during the coming year.

Performance Information

We gave an unqualified opinion on the Best Value Performance Plan on 22 December 2004.

The Council's corporate arrangements demonstrate a strong commitment to improving

the quality of performance information. We have no significant matters to report to Members.

Accounts and Governance

We have given your accounts an unqualified audit opinion. Your overall corporate governance arrangements are satisfactory in most key areas.

Audit of 2003/04 accounts

We gave an unqualified opinion on the Council's 2003/04 financial statements on 16 November 2004.

Matters arising from the final accounts audit

The draft accounts were approved by Members on 21 July 2004, well ahead of the statutory deadline of 31 August 2004. We commenced our audit on 28 June. Working papers were not to the high standard set in the previous year, but once again the accounts applied the Statement of Recommended Practice (SORP) in full.

The majority of our work was completed in July and August. However, significant issues affecting the capital accounts delayed completion of the audit until October.

We gave our opinion on 16 November 2004. We agreed a number of amendments to the draft accounts, the most significant being a reduction of £1.9bn to correct the balance sheet valuation of council dwellings after errors were identified in the original valuation methodology.

Timeliness in producing the accounts will become increasingly important over the next few years as the deadline for completion of the accounts is brought forward in line with the Government's requirement. Whilst the 2003/04 accounts were prepared to meet the requirements this year, the deadlines will become increasingly more difficult to achieve and will require early planning and thoughtful scheduling of key meetings next year. We will continue to support you with these developments.

Report to those with responsibility for governance in the authority

We are charged by professional standards to report to those charged with governance (in this case the Council Assembly) certain matters before we give an opinion on the financial statements.

A number of issues were reported, the key ones being:

- the fixed asset register was incomplete. The Council is currently taking action to correct this; and
- the electronic interface between the new housing rents system to the main accounting system did not operate correctly. A manual adjustment was necessary to reconcile the two systems. Remedial action is in hand, and officers expect the interface to function properly early in 2005.

Financial standing

The Council's overall financial position remains sound. The actuarial deficit on the pension fund increased to £165m at 31 March 2004.

General fund spending and balances

The Council spent £403.6m in 2003/04 (net revenue expenditure). Actual expenditure was close to budget, allowing the Council to build its general fund reserves to £8.1m at 31 March 2004. This is the level recommended by the Council's senior finance officers, and Members should continue to heed this advice when making the budgets for 2005/06 and beyond. Other earmarked reserves total over £40m.

Exhibit 3 outlines the Council's current financial reserves position in comparison to previous years.

EXHIBIT 3 FINANCIAL RESERVES

	2003/04 £m	2002/03 £m	2001/02 £m
General Fund	8.1	6.8	4.1
Housing Revenue Account (HRA) Reserve	37.8	22.7	*
Collection Fund	(0.1)	(3.1)	(6.9)

* No comparative figures available due to the implementation of the new pensions accounting standard, FRS17.

The Council budgeted to spend £407.5m in 2004/05. The latest projections forecast a balanced outturn at the year end.

Income collection and arrears

Income collection rates compare well with other London authorities. The Council collected 92% of the council tax due to it by 31 March 2004, in line with the inner-London average. A collection rate of 99.9% for business rates betters the inner-London average of 98.5%.

Pension fund

The value of the Pension Fund net assets rose by £89m during 2003/04, following a two year period during which the value had dropped significantly. The value of the Pension Fund assets compared to previous years is shown in Exhibit 4.

EXHIBIT 4 PENSION FUND NET ASSETS

Net assets	2003/04 £m	2002/03 £m	2001/02 £m
Start of year	404	492	502
Movement	89	(88)	(10)
End of year	493	404	492

The latest actuarial valuation of the fund at 31 March 2004 shows a deficit of £165m, an overall funding level of 75.5%. The Council plans to increase its contributions to meet this anticipated funding gap. Members will need to

consider the implications of this in making the budgets for 2005/06 and beyond.

Systems of internal financial control

We have not identified any significant weaknesses in the overall control framework.

Internal audit

Our assessment is that internal audit provides an effective service overall. During the 2003/04 audit we were able to place reliance upon the work conducted by Internal Audit for our Core Process Review (CPR).

However, there is scope to improve the delivery of the plan. At December 2004, 70% of audit projects had been completed, with the remainder still in progress. Members should satisfy themselves that monitoring arrangements for internal audit delivery of the agreed audit plan are robust.

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

Arrangements for preventing and detecting fraud and corruption show some improvement. Developing the anti-fraud culture should remain a priority.

Changing organisational cultures

Utilising the Audit Commission's toolkit, *Changing organisational cultures*, we completed an anti-fraud workshop for the Council's managers. The approach included a questionnaire to assess staff views about the anti-fraud and corruption approaches within their service area and the Council as a whole. The results show a number of positive features, most staff:

- recognise the Council's commitment to fight fraud and corruption;
- clearly understand their responsibilities to prevent and detect fraud and corruption; and
- believe that the Council's internal controls are effective.

The key issue is the importance of strong leadership in building the anti-fraud culture. The examples set by Members and Chief Officers in their personal conduct, and their responses when suspicions of fraud arise, are essential to managers' and staff's commitment to fighting fraud and corruption.

The Council should now take steps to further build the anti-fraud culture. We will continue to address this issue in the coming year.

Other work

We also undertook reviews of:

- contract Standing Orders; and
- the anti-fraud strategy and fraud response plan.

The results are summarised in Exhibit 5.

EXHIBIT 5 GOVERNANCE AUDITS 2003/04

Review	Key Findings
Contract Standing Orders	The Council demonstrated good practice by reviewing its Contract Standing Orders. We identified areas included within the Procurement Guidelines (which are not compulsory) that would be more appropriate to include in Standing Orders.
Anti-fraud strategy and fraud response plan	We made a number of recommendations to the details of the anti-fraud strategy and the fraud response plan to ensure that the documents meet the requirements of best practice. In particular, we recommended including a statement that employees' confidentiality will be protected should they wish to 'whistleblow'.

We will follow-up the results of our work during our next audit.

Legality of transactions

We have not identified any significant weaknesses in the framework established by the Council for ensuring the legality of its significant financial transactions. The Council is largely compliant with the requirements of the Local Government Act 2000 in terms of its ethical framework, but some scope for improvement remains.

Standards Committee

We completed an overview of the Standards Committee, focusing on how its responsibilities are being met. The Council is largely compliant with the requirements of the Local Government Act 2000, but some scope for improvement remains. The key issues arising from our review were:

- no comprehensive assessment of standards of conduct within the Council has been undertaken by the Committee. Individual cases are dealt with on a case by case basis;
- formal mechanisms to publicise guidance and case rulings from the Standards Board for England have yet to be established within the Council;
- there are limited mechanisms to promote high standards of ethical behaviour amongst Members, although key messages are communicated through training; and
- compliance with the requirement to declare gifts or hospitality is not universal.

We agreed to undertake further work in response to our findings, and we will report the results in the coming months.

Rights of the public

The audit at Southwark continues to generate a large volume of correspondence from members of the public questioning the District Auditor in the exercise of their rights under Section 15 of the Audit Commission Act 1998. Some of these questions we refer to the Council for investigation, but it is usually the District Auditor who responds.

While the majority of these queries are resolved without the need for formal audit action, this process now takes up a large amount of officer and audit time. Furthermore, some issues have yet to be resolved. We will need to consider the implications of this for our future audit planning.

New developments

The Council is developing arrangements in response to the Freedom of Information legislation and the Bichard recommendations. We propose to review the progress made at the next audit.

Other work

Report in the Public Interest– Award of Planning Permissions at 295-299 Camberwell New Road, Southwark

We issued our report on 12 February 2004. The Council considered the matters we raised, and with our agreement, responded to our report on 27 July 2004. This response included an action plan of recommendations to address the important issues.

The challenge now is to implement the necessary improvements to the Council's procedures and, crucially, to develop a culture that ensures compliance with those procedures. We are currently undertaking work to consider the progress being made and we will report our conclusions in the near future.

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 Strategic Regulation, the Audit Commission has adopted a more risk-based approach to the certification of grant claims. With effect from 2003/2004 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.

Work on certifying the Council's 2003/04 grant claims is nearly complete. We remain on course to meet all deadlines for the submission of claims. The high quality of the claims and supporting working papers demonstrated last year has been maintained, largely due to the efforts of departmental grant co-ordinators and the Corporate Income Team (CIT). As a consequence we have maintained the reduced audit fee levels from last year, saving the Council around £200,000 in comparison to earlier years.

National Fraud Initiative

The Council took part in the Audit Commission's national fraud initiative (NFI) 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 £83m, of which £103,000 savings were identified at Southwark.

The Commission are 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 Forwards

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 LSIF (Local Services Inspectorates Forum) websites.

We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the Council. We will continue with this approach when planning our programme of work for 2005/06. We will seek to reconsider, with you, your improvement priorities in the light of the latest CPA assessment and your own analysis, and develop an agreed programme by 31 March 2005. We will continue to work with other inspectorates and regulators to develop a co-ordinated approach to regulation.

Revision to the Code of Audit Practice

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, which is proportionate to risk and targeted on areas where auditors have most to contribute to improvement;
- a stronger emphasis on value for money, focussing 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:

- a rationalization of service blocks;
- the 'Achievement' assessment element of Corporate Assessment to be driven by a review of the Community Plan and shared priority themes;
- a move away from a rigid numerical model, to one based on rules;
- Corporate Assessments to be undertaken on a rolling programme, integrated with Joint Area Reviews of children and young people;
- a stronger focus on service delivery for users and customers; and
- a 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 and the Leader of the Council. A copy of the Letter will be presented to the Executive on 1 February 2005.

The Council has taken a positive and constructive approach to our audit and inspection. 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.



Kash Pandya
District Auditor and Relationship Manager

Date 19 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.

Audit & Inspection reports issued

Audit plan 2003/04	August 2003
IT contract review	March 2004
Review of Contract Standing Orders	March 2004
Revenues and Benefits	April 2004
Strategic Support Services	May 2004
Anti-fraud strategy and policy review	May 2004
Community Safety	June 2004
Changing organisational cultures	July 2004
Corporate assessment	August 2004
Local Strategic Partnership validation report	September 2004
Review of Standards Committee	September 2004
Management of the Education contract	October 2004
Corporate Human Resources arrangements	October 2004
Review of Children's Trust	November 2004
Audit opinion	November 2004
SAS 610 report	November 2004
CPA scorecard	December 2004
BVPP opinion	December 2004

Scope 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 in the Exhibit below.

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 & the prevention and detection of fraud and corruption.
- Legality of transactions.

Performance management

- Use of resources.
- Performance information.
- Best Value Performance Plan.

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 fee

Audit and Inspection fee update

Audit area	Plan 2003/04	Actual 2003/04
Accounts	£177,328	£177,328
Financial aspects of corporate governance	£172,363	£172,363
Performance and Inspection	£436,227	£436,227
Report in the public interest	-	£157,000
TOTAL CODE OF AUDIT PRACTICE FEE	£785,918	£942,918
Grant Claim certification	£395,000	£285,000
Additional Voluntary work (under Section 35)	-	-