Status of our Reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.
Introduction

The purpose of this report is to keep the Audit Advisory Committee updated on progress against our Audit Plan. We will report to you at each meeting, bringing any significant issues to your attention.

Our responsibilities

The Audit Commission’s Code of Audit Practice requires us to give:

- an opinion on the financial statements; and
- a conclusion on the Council’s use of resources.

Financial statements

We are required to audit your financial statements and to give our opinion on:

- whether they present fairly your financial position and your income and expenditure for the year; and
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

Use of resources

We are required to give an opinion on whether you have proper arrangements to secure economy, efficiency and effectiveness in your use of resources.
Summary of audit progress

6 Since the April Audit Advisory Committee we have continue to make good progress with the work in the 2008/09 plan (summarised in Appendix 1).

7 Our focus has been the following.

- **Financial statements audit 2008/09**
  We have completed documenting the Council’s subsidiary information systems and refreshing our understanding of the Council, as required by International Standard on Auditing (UK & Ireland) (ISA(UK&I)) 315. We have also substantially completed our testing of the controls in place on the Council’s subsidiary information systems. In doing this, we have been able to place reliance on the work of internal audit. We have no significant matters to report to management.
  We have continued to maintain regular communication with the finance team and have agreed a detailed timeline for the completion of audit work over the next 4 months.
  We are currently discussing with officers the Council’s approach to accounting for asset valuations.

- **Performance related work**
  We have agreed with the Council our review of the Local Enterprise Growth Initiative (separate report attached) and are making steady progress with the 2008-09 review of Health Inequalities, a cross cutting review with the auditors of Croydon PCT.

- **Use of resources 2009**
  The Council has provided comprehensive self-assessments against the main use of resources themes and arranged a number of meetings with officers to focus attention on the outcomes achieved. We have made good progress with the assessment, maintaining an on-going and constructive dialogue with officers. We will make our final judgements by mid-August.

8 We continue to maintain regular communication with officers to ensure any issues arising are reported promptly and appropriate action.

9 By the next Audit Advisory Committee, we will have completed our audit of the annual accounts and reported any major findings to management.
At the April Audit Advisory Committee, we highlighted the changes to the 2009/10 audit planning process.

We are pleased to present to the Audit Advisory Committee the two fee letters that we are required to present for 2009/10. These replace the Audit and Inspection Plan that you have received in previous years. There are separate fee letters covering:

- Audit and performance (including use of resources and any additional work required to give our Use of Resources assessment); and
- Inspection and assessment (covering the organisational assessment under CAA).

We have agreed both letters with the Chief Executive and Executive Director of Resources and Customer Services.
Summary of recent Audit Commission national reports

13 We seek to help councils improve by:
  • helping them to establish firm foundations of good management;
  • helping elected Members, managers and officers to deliver value for money; and
  • looking at how users experience services across organisational boundaries.

14 One mechanism for driving improvement is the national reports that we produce. This section of the Audit Advisory Committee's progress report summarises for Members information, the headline messages from the latest Audit Commission national reports.

15 All reports are issued to the Chief Executive and are available to Members on the Audit Commission’s website at www.audit-commission.gov.uk.


16 Summing up provides an overview of councils' progress in developing their financial management arrangements between 2005 and 2008, and discusses the importance of sound financial management in helping to meet the challenges facing local government in the short to medium term.

17 Councils are accountable for around one-quarter of all public spending, and sound and strategic financial management is essential to ensure that resources are available to help improve services. The report draws on a range of information including use of resources assessments, returns from auditors, surveys of senior council officers and a review of annual accounts.

18 The report finds that there has been steady improvement in councils' use of resources, but there has been an inevitable variation in performance. The imminent change in the use of resources assessment framework under the Comprehensive Area Assessment (CAA), and the challenges facing local government arising from the economic downturn and the introduction of international financial reporting standards, mean that it is timely for councils to consider their financial management performance.
The Audit Commission’s national study 'Working better together? Managing local strategic partnerships' reviews arrangements for performance, resource management, and governance.

The report identifies LSPs as evolving and maturing. Local and national partners still need to recognise the key dynamics that support partnership working. Too few LSPs take an area-wide approach to performance and resource management. Some LSPs have well developed performance arrangements, but less developed resource management. And most LSPs have progress to make on their improvement journey if they are to deliver sustainable community strategy and LAA outcomes.

LSPs that have good, shared systems for performance management (with performance reporting, resource allocation, and risk management) will find it easier to show that they are on track to achieve agreed outcomes than those that do not.
Appendix 1 – Summary of the 2008/09 Audit and Inspection Plan

The table below summarises progress to date against the audit plan for 2008/09.

<table>
<thead>
<tr>
<th>Audit work</th>
<th>Key contact</th>
<th>Planned start</th>
<th>Indicative draft report</th>
<th>Draft report issued</th>
<th>Final report issued</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit and Inspection Planning</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Audit and Inspection Plan 2008/09  
*Derek Elliot (District Auditor)* | Chief Executive and Executive Director Resources and Customer Services | February 2008 | March 2008 | - | April 2008  
COMPLETED |
| **Annual Audit and Inspection Letter 2009** | | | | | |
| Annual Audit and Inspection Letter 2008  
*Philip Johnstone (District Auditor)*  
*Howard Simmons (CAA Lead)* | Chief Executive and Executive Director Resources and Customer Services | January 2010 | February 2010 | | |
| **Accounts** | | | | | |
| Interim audit report  
*Suresh Patel (Senior Audit Manager)* | Executive Director Resources and Customer Services | January 2009 | - | - | No significant issues to report |
<table>
<thead>
<tr>
<th>Audit work</th>
<th>Key contact</th>
<th>Planned start</th>
<th>Indicative draft report</th>
<th>Draft report issued</th>
<th>Final report issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opinion and VFM Conclusion</td>
<td>Executive Director Resources and Customer Services</td>
<td>July 2009</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><em>Philip Johnstone (District Auditor)</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Governance Report</td>
<td>Executive Director Resources and Customer Services</td>
<td>August 2009</td>
<td>August 2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Philip Johnstone (District Auditor)</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final accounts report</td>
<td>Director of Corporate Financial Services</td>
<td>October 2009</td>
<td>October 2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Suresh Patel (Senior Audit Manager)</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of resources (mandatory work)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of resources assessment 2009</td>
<td>Executive Director Resources and Customer Services</td>
<td>December 2008</td>
<td>September 2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Philip Johnstone (District Auditor)</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of resources (risk based work)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Inequalities</td>
<td>Chief Executive</td>
<td>November 2008</td>
<td>July 2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Joint review Croydon PCT</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Judith Jones (Performance Specialist)</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Your Business at Risk (IT security web-based survey)</td>
<td>Executive Director Resources and Customer Services</td>
<td>To be confirmed</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><em>Executive Director Resources and Customer Services</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 1 – Summary of the 2008/09 Audit and Inspection Plan

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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For further information on the work of the Commission please contact:
Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ
Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946
www.audit-commission.gov.uk
27 April 2009

Jon Rouse
Chief Executive
Croydon Council
Taberner House
Park Lane
Croydon
CR9 3JS

Dear Jon

Annual audit fee 2009/10

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at Croydon Council. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009/10; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Howard Simmons, your Comprehensive Area Assessment Lead has already written to you separately on inspection fees.

As I have not yet completed my audit for 2008/09 the audit planning process for 2009/10, including the risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary.

The total indicative fee for the audit for 2009/10 is for £398,180 (exclusive of VAT) which compares to the planned fee of £393,263 for 2008/09 an increase of 1.25 percent, reflecting the 1.25 percent inflationary increase published by the Audit Commission in its fees letter dated 19 December 2008.

I show a summary of the fee in Table 1 overleaf.
Table 1 - Audit fee

<table>
<thead>
<tr>
<th>Audit area</th>
<th>Planned fee 2009/10</th>
<th>Planned fee 2008/09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial statements</td>
<td>247,934</td>
<td>240,713</td>
</tr>
<tr>
<td>Whole of Government Accounts</td>
<td>4,600</td>
<td>4,550</td>
</tr>
<tr>
<td>Use of Resources/VFM Conclusion</td>
<td>145,646</td>
<td>103,000</td>
</tr>
<tr>
<td>[including risk based work]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data Quality</td>
<td>-</td>
<td>45,000</td>
</tr>
<tr>
<td><strong>Total audit fee</strong></td>
<td><strong>398,180</strong></td>
<td><strong>393,263</strong></td>
</tr>
<tr>
<td>Certification of claims and returns</td>
<td>125,000</td>
<td>125,000</td>
</tr>
<tr>
<td>[Estimated]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Commission publishes the agreed fees for individual bodies on its website to assist audited bodies to compare their audit fees with those for similar bodies. The scale fee for Croydon Council is £441,844. The fee proposed for 2009/10 is 9.9 per cent below the fee scale.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified in 2008/09.

I will issue a separate plan for the audit of the financial statements in December 2009. This will detail the risks identified, planned audit procedures and any changes in fee. The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Executive Director of Resources and Customer Services and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Advisory Committee.

My use of resources assessments will be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission’s work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. However, through discussion with Executive Directors and my knowledge of the Council, I have identified a number of significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. I show my initial risk assessment for value for money audit work in Table 2 overleaf.
Table 2: Initial use of resources risks

<table>
<thead>
<tr>
<th>Risk</th>
<th>Planned work</th>
<th>Timing of work</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic development and regeneration</strong></td>
<td>We will carry out a review of the way the Council interacts with CCURV and the planned Economic Development Company to deliver regeneration to the Borough.</td>
<td>June 2009 - September 2010</td>
</tr>
<tr>
<td>The Council has established a separate company called Croydon Council Urban Regeneration Vehicle (CCURV) and is in the process of setting up an Economic Development Company as an umbrella for all its regeneration activity. There are significant risks around the development of these arrangements.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Partnership working</strong></td>
<td>Working with Council and PCT officers, we will scope a joint review of working arrangements between Croydon Council and the PCT.</td>
<td>June 2009 - September 2010</td>
</tr>
<tr>
<td>The Council uses partnership working with Croydon Primary Care Trust (PCT) to deliver effective services in the Borough. The current economic climate raises the importance of effective partnership working to reduce the adverse impact on local residents and maximise opportunities as they arise.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>South London Waste Partnership</strong></td>
<td>We will undertake a joint review of the four London Boroughs within this agreement and track the Council's progress in managing the associated risks and realisation of expected benefits.</td>
<td>June 2009 - September 2010</td>
</tr>
<tr>
<td>The Council is a member of the South London Waste Partnership and was recently granted £120 million PFI credits. The Partnership is moving forward its waste facility procurement plans. There is a need to ensure that the governance and accountability structures for the partnership are fit for purpose.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Council is working in collaboration with a neighbouring borough to progress one of the largest BSF schemes in the country. There are inherent risks in managing a project of this scale and importance. The Council needs to ensure that it maintains effective project management, clear lines of accountability and clarity of governance arrangements.

We will draw on our national experience of BSF and similar scale capital projects where the public and private sector have worked together to deliver transformation of services. We will share learning with the Council and review its progress with the project.

June 2009 – September 2010

Local Government bodies will prepare their financial statements in accordance with International Financial Reporting Standards (IFRS) for the first time in 2010/11. However, the 2009/10 statements will need restating on an IFRS basis for comparative purposes. In addition, Whole of Government Accounts will be prepared on an IFRS basis for 2009/10. My audit team have already started to engage in early discussions with officers regarding the Council’s project plans for the transition to IFRS and will continue to do so as further guidance emerges.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

I know that you value continuity in the team that carries out your audit to reduce the burden on your staff and to ensure you receive a high quality service. As a result, for 2009/10 I have retained continuity in the key members of the team:

- Senior Audit Manager: Suresh Patel 0844 798 2861
- Team Leader: Amy Thorpe 0844 798 2686
- Performance Lead: Biran Tharumaratnam 0844 798 2050

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 in the first instance. Alternatively, you may wish to contact the Les Kidner, Head of Operations, on l-kidner@audit-commission.gov.uk.
Yours sincerely

Phil Johnstone  
District Auditor  

cc  Nathan Elvery – Deputy Chief Executive and Executive Director of Resources and Customer Services  
   Cllr Yvette Hopley – Chair of Audit Advisory Committee  
   Cllr Jan Buttinger – Chair of Corporate Services Committee  
   Suresh Patel – Senior Audit Manager, Audit Commission
Appendix 1: Planned outputs

I will discuss and agree with the appropriate officers all reports before I issue them to the Audit Advisory Committee.

### Table 1

<table>
<thead>
<tr>
<th>Planned output</th>
<th>Indicative date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit plan</td>
<td>31 December 2009</td>
</tr>
<tr>
<td>Annual governance report</td>
<td>30 September 2010</td>
</tr>
<tr>
<td>Auditor's report giving the opinion on the financial statements and value for money conclusion</td>
<td>30 September 2010</td>
</tr>
<tr>
<td>Use of resources report</td>
<td>30 September 2010</td>
</tr>
<tr>
<td>Final accounts memorandum (to the Executive Director of Resources and Customer Services)</td>
<td>31 October 2010</td>
</tr>
<tr>
<td>Annual audit letter</td>
<td>30 November 2010</td>
</tr>
<tr>
<td>Economic development and regeneration</td>
<td>November 2009 - specification March 2010 - report</td>
</tr>
<tr>
<td>Partnership working</td>
<td>November 2009 - specification March 2010 - report</td>
</tr>
<tr>
<td>Joint review of South London Waste Partnership</td>
<td>November 2009 - specification March 2010 - report</td>
</tr>
<tr>
<td>BSF</td>
<td>November 2009 - specification March 2010 - report</td>
</tr>
</tbody>
</table>
17 April 2009

Mr Jon Rouse  
Chief Executive  
London Borough of Croydon  
Taberner House  
Park Lane  
Croydon  
CR9 3JS

Dear Jon

Assessment and Inspection element of Comprehensive Area Assessment

Fee for 2009/10

Further to our discussions, I am writing to confirm the assessment and inspection work that we propose to undertake as part of CAA for the 2009/10 financial year at Croydon Council. The fee:

- is based on the risk-based approach to inspection planning as set out in the Comprehensive Area Assessment (CAA) framework and associated guidance; and
- reflects only the Audit Commission’s inspection work, excluding any audit fees. Your appointed auditor will be writing to you separately on fees for audit work.

CAA will deliver a more proportionate and risk based approach to inspection, targeting only high risk services and outcomes for inspection where alternative improvement activity is not appropriate. The inspection plan will be reviewed and updated as necessary.

The total indicative fee for these elements of CAA for 2009/10 is £19,956.00 and is shown in the table below. The fee has been set in accordance with the Audit Commission’s work programme and scales of fees 2009/10.

Assessment and inspection work plan and fee

<table>
<thead>
<tr>
<th>Assessment / inspection activity</th>
<th>Planned fee for 2009/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area assessment of local partnership</td>
<td>n/a (CLG grant funded)</td>
</tr>
<tr>
<td>Managing performance theme of organisational assessment</td>
<td>£19,956.00</td>
</tr>
<tr>
<td>Currently no risk based inspection has been identified</td>
<td>£0.00</td>
</tr>
<tr>
<td><strong>Total fee</strong></td>
<td><strong>£19,956.00</strong></td>
</tr>
</tbody>
</table>
If I need to make any significant amendments to the CAA plan and fee during the course of the year, I will first discuss this with you and then confirm in writing outlining the reasons for the change, including the proposed scope for the work.

The above fee excludes any additional work that Croydon Council has requested and the Commission has agreed to undertake using its advice and assistance powers.

If you have any questions regarding this letter, please do contact me in the first instance. Alternatively you may wish to contact the London Head of Operations, Les Kidner

Yours sincerely,

Howard Simmons
Comprehensive Area Assessment Lead

cc Director of Finance - Mr Nathan Elvery