

REPORT TITLE

EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER TO MEMBERS 2003

REPORT OF

FINANCIAL ADVISER

FOR SUBMISSION TO

DATE

AUTHORITY MEETING

11 FEBRUARY 2004

1. SUMMARY OF REPORT

This report provides a summary of the main findings and conclusions of the Auditor's Annual Audit Letter to Members of the Authority.

2. RECOMMENDATIONS

The Authority is requested to:-

- (i) Note the findings and recommendations of the Annual Audit Letter.

Signed by the Financial Adviser:

Date:

3. **Introduction**

3.1 The purpose of the Audit Letter is to summarise for Members the main findings and conclusions from the audit work undertaken by Deloitte & Touche over the last year. The letter, which has been circulated separately is summarised below.

3.2 **Performance Management**

3.2.1 The Auditors comment on the continuing progress made by the Authority to achieve Best Value and advise that the Best Value Performance Plan complies in all significant respects with statutory guidance. An unqualified audit opinion was issued on 19 December 2003.

3.2.2 Further to their comments in the 2002 Audit Letter the Auditors comment further on the CIPFA/SOLACE guidance on the adoption and reporting requirements of a new form of framework of corporate governance in local authorities. In 2002/03 the Authority met the reporting requirements by including a statement on internal financial control in the 2002/03 Statement of Accounts. This is the minimum requirement. The Auditors have suggested that Members may wish to broaden the scope of this statement to cover all internal control and have again suggested that the Authority adopt a full code of corporate governance.

3.2.3 Members have previously been advised that the Authority in large part has an effective framework for corporate governance. Given the single purpose nature of the Authority and its non-operational structure Members have previously accepted that it is not necessary to adopt a formal code of governance and have instead adopted a framework based upon the model schedule of principles set out in the CIPF/SOLACE guidance. The Authority has, however, acknowledged that there is scope for improvement in some areas, such as ensuring an effective risk management framework, and these are currently being reviewed. Officers will also give further consideration to the Auditors proposal to adopt a full code of corporate governance.

3.2.4 The Auditors draw particular attention to the requirements of the EU Directives for Waste Electrical & Electronic Equipment (WEEE), the implications of the landfill Directive, the new Tradable Landfill Allowances scheme, and development of the new Hornsey Street waste transfer station, as matters which should be fully assessed and/or monitored. An assessment of the WEEE Directive appears elsewhere on this agenda, whilst the other two matters have already been fully reported to Members.

3.2.5 Officers may need to report back to Members on these points for further consideration.

3.3 Financial Aspects of Corporate Governance

3.3.1 The overall conclusion of this section is that for 2002/03 the Authority has again demonstrated its ability to manage within budgetary limits. The Auditors are also satisfied with the Authority's performance in the first six months of 2003/04.

3.3.2 As indicated above, the Authority reported on its system of financial control in its 2002/03 Statement of Accounts, however, the Auditors draw attention to the need to prepare a full statement of internal control in future periods.

3.4 Auditing the Accounts

3.4.1 An unqualified audit opinion was issued on the 2002/03 accounts on 23 December 2003. No objections or questions were received from local electors.

3.4.2 As reported to the Authority in December there have been only few minor presentational changes. A copy of the signed 2002/03 Statement of Accounts has been separately circulated to Members.

3.4.3 The Auditors draw attention to the legislative requirement for future annual accounts of local authorities to be closed more quickly. As reported in December, this should not prove to be overly onerous for the Authority; however, it will be necessary to review the Member approval process for the annual accounts, particularly in respect of the 2005/06 accounts.

4. Next Year's Audit Plan

4.1 The final section of the Audit Letter refers to the Audit Plan for 2004. As usual the work of the external auditor will rely on both the NLWA and Camden internal controls and management processes. In addition, the Auditors intend to keep under review the impact on the Authority of the Waste Incineration Directive and treatment of the Ashburton Grove/Hornsey Street facility in the accounts of the Authority.

5. **Comments of the Legal Adviser**

- 5.1 The Legal Adviser has been consulted on this report and has no further comments to make.

Local Government Act 1972 - Section 100 as amended

Documents used in the preparation of this report:-

Deloitte & Touche - Annual Audit Letter to Members 2003

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