
Harrow Council

**Provisional Audit Plan – Year
ending 31 March 2005**

April 2004

This report has been prepared on the basis of the limitations set out on page 16.

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1. KEY POINTS

We have pleasure in presenting our provisional audit plan which covers the audit of the Council's 2004/5 accounts, audit of financial aspects of corporate governance in relation to that year and any value for money work planned to be carried out during the year ending 31 March 2005 (the '2004/5 audit').

This follows a plan issued earlier this year which related to the five months ended 31 March 2004 (the '2003/4 audit') and covered value for money studies to be undertaken in that five month period and the work we will do on the 2003/4 accounts and financial aspects of corporate governance in relation to that financial year.

The arrangements for the issue of the 2004/5 and subsequent audit plans, decided on by the Audit Commission, are new and represent a significant departure from previous arrangements in certain respects. The new arrangements enable us to coordinate our performance audit work with the inspection work programme. The new arrangements also require us to specify the accounts and related financial governance work we do up to sixteen months before the work will be completed in some cases and before we have completed the equivalent work for the previous year. In our view it is not possible to identify all key audit risks and therefore to specify, with certainty, our work programme at this stage in those areas. We therefore propose to review this document with officers in early 2005 and issue an update, as necessary, in respect of the accounts and financial aspects of corporate governance work plan.

Section 3 of our audit plan sets out how we plan to approach each of our main areas of responsibility, the areas of risk or audit focus we have identified and our planned audit response. In accordance with the requirements of the Code, we have aimed to tailor the quantum and scope of our work to reflect the risks we perceive at Harrow.

Our provisional fee proposed for the 2004/5 audit is £290,000. This will be reviewed again with officers in early 2005 in the light of any changes which are necessary to the scope and focus of the plan taking into account the outcome of our 2003/4 audit and in the light of developments during the remainder of 2004.

Section 4.5 sets out the nature and timing of the audit products the Council can expect for this fee.

In addition, we are responsible for certifying (on behalf of the Audit Commission) grant claims made by the Council. The Audit Commission has recently announced a significant change to the grants certification regime aimed at reducing the burden of audit, in particular on smaller claims of below £100,000. More information on these changes is set out in section 3.4.3.

Deloitte continues to be involved in a pilot scheme to carry out inspection work at Harrow on behalf of the Audit Commission. This document covers only our work carried out in our capacity as the Council's auditor. Details of the inspection work we will carry out is provided in the Relationship Manager's Audit and Inspection Plan.

This audit plan has been developed having regard to the inspection programme and takes account of the round table meeting with the Council members and officers in January 2004 and the views of the Audit Commission's Relationship Manager.

2. INTRODUCTION

2.1. The Audit Commission's Code of Audit Practice

The way in which we carry out our audit is set out in the Audit Commission's Code of Audit Practice, which all audit suppliers are required to follow.

The Code splits our responsibilities into three areas:

- Accounts
- Financial aspects of corporate governance, incorporating work on legality, internal financial controls and fraud and corruption arrangements
- Performance.

Work on any particular code objective may influence other areas. For example, work on systems of internal financial control will include our testing of controls on which we rely when forming our opinion on the annual accounts.

2.2. Risk based approach

The Code requires us to take a risk-based approach to audit planning. In carrying out our risk assessment we seek to gain an understanding of the Council, its responsibilities and the key challenges it faces. We assess the relevant risks that apply to the audited body on the basis of local circumstances and the Council's corporate governance arrangements.

We use this to:

- plan and perform our audit, determining where we direct our work and allocate our resources on the basis of materiality

and significance of the risks identified and our professional and statutory responsibilities

- consider the impact of risks in one area on the other areas of audit, ensuring that we adopt an integrated approach
- establish effective co-ordination with Internal Audit and various inspection agencies
- adopt a constructive and positive approach whilst providing independent scrutiny and assurance.

It is your responsibility to identify and address the Council's operational and financial risks, develop proper arrangements to manage them, including adequate and effective systems of internal control. We consider these risks and the arrangements that you have put in place to manage them in forming our assessment of where to direct our work.

The output from this process is this audit plan which outlines how we will meet our responsibilities in the light of our assessment. We have set out below our approach in each of the three main areas and discussed these with key officers.

2.3. Other responsibilities

As the appointed auditor, we are also responsible for the audit of grant claims. We carry out this work as an agent of the Audit Commission.

We have a responsibility to investigate formal objections and answer questions from local government electors relating to the accounts.

2.4. Development of our audit plan

We have developed our high level audit plan using the results of a preliminary risk assessment which was based on:

- Our knowledge of the Council gained since our appointment in November 2002
- Ongoing discussions with lead officers
- Review of Committee agendas and minutes
- Participation in ‘round table’ meetings with the Audit Commission’s Relationship Manager for Harrow, representatives from various inspection agencies and officers and members of the Council as part of the improvement planning process in January 2004
- Review of the results of inspection over the last year and other external reports
- Consideration of the applicability locally of key risks for local government identified in the Audit Commission’s 2004/5 National Risk Assessment Tool
- Review of the Council’s assessment of its progress against its improvement plans
- Discussions with Internal Audit.

2.5. Overall risk areas

Based on the procedures set out in section 2.4, and taking into account areas covered by other inspectorates, we set out below the following risks we have considered and our response to these. We have not included wider risks affecting the Council’s improvement plan which are being covered by the Inspection Plan. These include progress against the New Harrow Project plan targets and a review of scrutiny arrangements.

Risk	Audit response
Medium Term Budget Strategy: <ul style="list-style-type: none"> - Further improvements to financial management practices, in particular in the areas of capital programme management and Housing Revenue Account financial planning. - Delivery of savings targets included in the Council’s Medium Term Budget Strategy (MTBS) - Containing further Council Tax increases - Education Funding. 	An update to our review of the initial MTBS has been included within our 2003/4 audit plan. We will determine whether any further work is needed for 2004/5 after taking into account the outcome of our work during 2004.
Successful establishment of the ALMO	An inspection by the Audit Commission is scheduled for later in 2004. We will consider the need to look at governance arrangements established by the Council following the conclusion of that inspection.
E-government planning and implementation	A review of the Council’s new ICT strategy has been built into the 2003/4 audit plan. We will consider whether further audit attention in the area is desirable following completion of this review.

Risk	Audit response
Implementation of CIPFA's Prudential Code.	<p>In 2003/4, we will review how the Council has set its prudential indicators for 2004/5 and how it is monitoring compliance during the year. We will consider whether any specific additional work is required for 2004/5 depending on the outcome of work undertaken in 2004.</p> <p>The 2004/5 accounts will be the first prepared following implementation of the Prudential Code. We will carry out focused review and testing in areas where the Local Government SORP has changed to reflect the impact of the new Code.</p>
Development of governance and risk management arrangements, including publication of a Statement of Internal Controls.	<p>The Council needs to prepare an internal control statement for the first time in 2003/4 and publish this in their annual accounts. This is a corporate exercise which will need input from outside of the finance function. The Council will need to prepare formal evidence to support the statement. We need to report where the statement is inconsistent with our knowledge of the Council. In addition to our normal work, we will consider the process for the production of the statement in 2003/4 and, based on the outcome of this, consider what further work may be appropriate in 2004/5.</p> <p>We will also consider developments in the risk management arrangements at Harrow and report any concerns in the Annual Audit Letter.</p>

Risk	Audit response
Advanced publication timetable for the accounts.	We have had an initial meeting with Finance Managers to debrief on the 2002/3 accounts and audit process and to discuss ways of advancing the timetable. Officers plan to submit the draft financial statements for member approval by 31 July 2004 which is one month in advance of the deadline for 2003/4 accounts and in line with the timetable for the 2004/5 accounts. Lessons learned from the 2003/4 exercise will be discussed with officers in early 2005.
Improving benefit arrangements for national standards in line with the recent BFI report.	The BFI are expected to carry out further work over summer 2004 which we will consider as part of our 2003/4 audit. We will consider, any specific audit response depending on the results of this work.
Delivering consistently high service standards.	A separate project is planned for us to review the Council's new corporate performance management arrangements.
Internal audit resourcing.	<p>Internal Audit, based on their own risk assessment, and benchmarking against other London Boroughs, has been historically underresourced, putting pressure on their capacity to cover the control environment as required.</p> <p>We will monitor Internal Audit resourcing and impact on the strategic internal audit plan.</p>

3. PLAN BY AUDIT AREA

The previous section sets out areas of focus, as determined by our risk assessment, together with our planned response. This section sets out our overall approach to each of the main areas of our audit and summarises for each area the relevant risks which are discussed in more detail in the previous section.

3.1. Reviewing the financial aspects of corporate governance

3.1.1. Introduction

In reviewing the financial aspects of corporate governance, we consider the arrangements you have in place over:

- the legality of transactions that might have significant financial consequences
- the financial standing of the Council
- systems of internal financial control
- standards of financial conduct and the prevention and detection of fraud and corruption.

In each case it is your responsibility to put adequate arrangements in place. We review these arrangements, reporting where appropriate.

3.1.2. Audit approach, preliminary risk assessment and planned audit response

The legality of transactions that might have significant financial consequences

We consider the adequacy of arrangements; review national issues raised by the Audit Commission; take reasonable steps to inform ourselves of significant financial transactions or events in the period that are unusual or of questionable legality; and respond to specific issues raised with us by the Council.

Residual risks at Harrow considered in this area (see section 2.5)
Successful establishment of the ALMO.

The financial standing of the Council

We review arrangements to monitor the financial standing of the Council, paying attention to performance in the year, the ability to meet known obligations and responses to future developments and progress on financial management practices.

Residual risks at Harrow considered in this area (see section 2.5)

Medium Term Budget Strategy:

- Further improvements to financial management practices, in particular in the areas of capital programme management and Housing Revenue Account financial planning.
- Delivery of savings targets included in the Council's Medium Term Budget Strategy (MTBS)
- Containing further Council Tax increases
- Education Funding.

Implementation of CIPFA's Prudential Code.

Systems of internal financial control

As part of our planning work, we first:

- document our understanding of the key transaction cycles through a review of systems documentation held by Internal Audit and by departments, supplementing this with discussions with officers
- carry out walk-through tests to confirm our understanding of systems and controls
- consider the impact of our findings on our approach to the audit of the financial statements.

We have identified the following key transaction cycles:

Housing and Council Tax benefits administration

Payroll

Other expenditure

Revenue – Council Tax

Revenue – Business Rates

Revenue – Housing Rents

Revenue – Other

Fixed assets*

Treasury (i.e. cash, investments and loans)*

(*not included in our controls assurance strategy – see below)

For those transaction cycles included within our controls assurance strategy, we then design and carry out tests of controls to give us assurance for the purposes of our opinion on the financial statements. We adopt a rotational plan to testing controls, looking at each business cycle at least once every five years and earlier if there has been a material system change. We seek to place reliance on the work of Internal Audit to reduce the amount of work we carry out in documenting and testing transaction cycles.

Internal Audit's plan to carry out testing of key controls in the main transaction cycles over a three year cycle period. A cycle will be looked at earlier if a review is triggered by one of several circumstances. Internal Audit's approach in this area provides a good fit with our own approach.

As part of our detailed planning work, we will carry out an assessment of Internal Audit's role, scope, independence and effectiveness to support this planning decision, together with a review of the relevant working papers from their key controls work.

Our proposed fee assumes that planned audits for 2003/4 will be completed on a timely basis, that all key control objectives will be addressed within the transaction cycles and that testing will cover the whole of the financial year.

Almost all of the Council's financial transaction processing and management information is carried out using automated systems. Given the importance of IT to the Council's financial systems and operations, each year we assess the general controls within the computer environment with assistance from our computer audit specialists. We adopt a rotational approach to this work. The rotational plan will be developed after discussions with Internal Audit and the IT Manager.

Residual risks at Harrow considered in this area (see section 2.5)
Improvements in general computer controls.
Internal audit resourcing.
Development of governance and risk management arrangements, including publication of a Statement of Internal Controls.
Successful establishment of the ALMO.

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

We review overall arrangements against a checklist of good practice developed by the Audit Commission.

We will seek to place reliance on the work of internal audit, particularly with regard to specific areas which may be susceptible to fraud, theft and corruption.

It is not the auditors' function to prevent or detect breaches of proper standards of financial conduct, or fraud and corruption. However, if

we become aware of weaknesses in this area we will report these to the management and the relevant committee.

Residual risks at Harrow considered in this area (see section 2.5)
Improving benefit arrangements for national standards in line with the recent BFI report.
Successful establishment of the ALMO.

3.2. Auditing the accounts

3.2.1. Introduction

The Chief Financial Officer is responsible for ensuring that proper accounting records are maintained. Each year she and her staff will prepare financial statements designed to present fairly the financial position of the Council and its expenditure and income and comply with the Statement of Recommended Practice in Local Authority Accounts (SORP). We are also required to issue a separate opinion on the 2004/5 accounts of the Council's pension scheme.

3.2.2. Audit approach, preliminary risk assessment and planned response

We carry out an accounts audit in accordance with relevant auditing standards issued by the Auditing Practices Board and other relevant professional guidance.

We plan and perform our audit to be able to provide reasonable assurance that the financial statements are free from material misstatement and are fairly presented. The assessment of what is material is a matter of professional judgement and includes consideration of both the amount (quantity) and the nature (quality)

of misstatements. The assessment of materiality during audit planning assists in the determination of an efficient and effective audit approach. The level of materiality also determines the extent of work performed. The assessment of materiality during audit planning may differ from that at the time of evaluating the results of audit procedures. This may be because of a change in circumstances or a change in our knowledge as a result of the audit.

In our interim audit visit, we obtain an understanding of the accounting and the internal control systems in order to assess their adequacy as a basis for the preparation of the financial statements and to form an opinion whether proper accounting records have been maintained by the Council. Our understanding of the internal control systems forms the basis of our audit approach. Internal controls comprise your control environment and the control procedures. The audit procedures we perform during our audit will be a mix of control and substantive testing. The nature and extent of our procedures varies according to identification of areas of greater than normal risk of material misstatement and our assessment of the Council's accounting system and, where we wish to place reliance on it, the internal control system and cover any aspect of the business operations that we consider appropriate. Where we identified a specific risk of a material misstatement which is more than normal we perform substantive testing directed at providing us with evidence that the risk has been addressed or perform tests of controls that focus on mitigating such risks.

We will report to, and discuss the results of our audit of the financial statements with, the relevant committee of the Council. The relevant committee and meeting date should be planned and advised to us as soon as possible.

The national timetable for approval and audit of the financial 2004/5 statements will be brought forward a further month to 31 October 2005.

Residual risks at Harrow considered in this area (see section 2.5)

Implementation of CIPFA's Prudential Code.

Development of governance and risk management arrangements, including publication of a Statement of Internal Controls.

Advanced publication timetable for the accounts.

3.3. Reviewing aspects of performance management

It is the Council's responsibility to put in place proper arrangements to manage its performance, secure economy, efficiency and effectiveness in its use of resources. We review and, where appropriate, report on these arrangements.

We devise a work programme each year which takes into account the risks that we see at the Council and the work programmes of other inspection agencies. In 2004/5 we have included in our audit plan a review of new corporate performance management arrangements, as well as a watching brief on a number of other risks and issues.

We also have a role reviewing the Council's Best Value Performance Plan (BVPP). As last year we will also need to issue an opinion on performance indicator systems. We have not yet received the final scope for this piece of work (from the Audit Commission), but we anticipate, similar to last year, that this will involve selecting a sample of Best Value Performance Indicators (BVPIs) on the basis of a risk analysis and carrying out limited review and testing procedures.

Residual risks at Harrow considered in this area (see section 2.5)

E-government planning and implementation.

Delivering consistently high service standards.

3.4. Grants

3.4.1. Introduction

The Audit Commission is responsible for auditing grant claims. We act as their agents for this work, carrying out testing in accordance with grant instructions issued annually by the Audit Commission.

3.4.2. Our approach

We have established a joint monitoring system between ourselves and the grant claims co-ordinator which enables us both to track progress in auditing claims, providing early warning of any problem issues. We also meet with key contacts to brief them on documentation requirements.

Once we have completed our work we will issue our report to the relevant government department or agency, and supply a copy to the authority.

We will assess the year's claims and summarise the problems encountered and any issues which led us to report on, or to amend, a claim in a report to officers. This will be fed back through meetings with key officers and/or formal report.

3.4.3. Change to grants audit regime

The Audit Commission has recently announced significant changes to the grants regime from 2003/4 onwards aimed at reducing the audit burden in this area. Under the new regime, the appointed auditor will no longer certify claims of less than £50,000 and claims between £50,000 and £100,000 will be subject to only limited review procedures. Claims greater than £100,000 may also be subject to less audit attention than in the past, depending on the strength of the control environment relevant to the specific claim.

3.5. Objections and questions

3.5.1. Rights, powers and duties

We have a responsibility to investigate formal objections and answer questions from local government electors relating to the accounts. In carrying out such work we have the right to ask questions of, and demand documents from, anyone who we believe may hold information relevant to our investigation. Since the enactment of the Local Government Act 2000 there have been some changes to the law relating to such challenges, however we still have the following rights:

- to apply to the courts for a declaration that an item of account is unlawful
- to consider whether there has been a failure to account for any sum or a loss or deficiency caused by wilful misconduct

4. AUDIT FEE AND TIMETABLE

4.1. Basis of audit fee

The 'Fee for the Audit' is a fixed fee to be agreed in advance between ourselves and the Council for an agreed range of audit outputs. It is based on delivering an agreed range of audit products, to an agreed timetable for a fixed price to meet the core audit objectives as set out in the Audit Commission's Code of Audit Practice.

Our fee proposal assumes in particular that:

- No additional audit risks are identified during 2004 which materially impact on our risk assessment.
- Draft financial statements and working papers we request for audit purposes are available at the agreed date and we have adequate access to key officers through the accounts and grants claims audit process.
- Internal financial controls are adequate for controls assurance purposes.
- Internal audit work has been carried out in accordance with the internal audit plan, addresses the key control objectives for the fundamental financial systems covered by those planned audits and that testing covers the whole of the financial year.
- Grant claims are supported by working papers and their supporting documentation as requested.

Our fee excludes inspection work which is covered within the inspection fees charged by the Audit Commission separately.

4.2. Proposed audit fee

Based on the above principles, we are proposing a total audit fee of £290,000, excluding VAT.

This compares to the fee charged for the five months to 31 March 2004 as follows:

	£000
2003/04 proposed fee	224.0
Add: scope increase as full year covered:	
BVPP	16.0
Audit of BVPIs	34.0
Auditor scored judgement input to CPA	10.5
Adjusted base fee	284.5
3% inflation increase	5.5
2004/05 fee proposal	290.0

An analysis of the proposed fee is given below.

	Proposed This period	Proposed Last period
	£000	£000
Planning and baseline risk assessment	21.0	20.5
Financial aspects of corporate governance <i>(Products: Reports on financial governance findings)</i>	83.0	80.5
Accounts <i>(Products: Annual accounts opinion, 'SAS 610 report' on audit findings)</i>	85.0	82.5
Performance management <i>(Products: Report on corporate performance arrangements; report on BVPIs; report on BVPP; comments in audit letter)</i>	90.5	40.5
Auditor scored judgements	10.5	0.0
	290.0	224.0

4.3. Invoicing arrangements

The fee in section 4.2 will be invoiced in accordance with the following schedule:

15 July 2004 - £34,000
15 August 2004 - £36,000
15 September 2004 - £10,500

15 December 2004 - £24,500

Remainder in instalments of £18,500 per month starting 15 January 2005.

Invoices are due for settlement within 14 days from presentation.

4.4. Other fees

4.4.1. Grant fees

Grant claim fees will be charged on the basis of time spent and at rates advised by the Audit Commission which reflect the experience of staff used.

Due to the differing number of claims required to be certified each year, changes to scheme rules and issues arising it is difficult to quote in advance for such work. In particular, central government departments often change the rules as to whether claims need auditing and the procedures which they require to be carried out during the year.

We are currently evaluating the effect of the change in grants regime (see section 3.4.3) on our expected level of fees.

4.4.2. Fees for challenge work

This work is by necessity both unplanned and, due to the often sensitive nature, carried out by senior members of the engagement team. Accordingly the Audit Commission has advised that it should be billed at the skill-related fee rates for challenge work:

Where we take legal advice we will also recharge the costs of such advice to you.

4.4.3. Other non core work

We recognise, with the Council going through its major improvement agenda, there may be areas other than those set out in this plan and above those requiring a response under our audit risk assessment where we can provide specialist assistance. We would be pleased to discuss any such areas, in the context of any such work remaining consistent with our external audit role. Fees for the work would be based on the Audit Commission's grade related fee scales for the relevant specialist involved.

4.5. Timetable and audit products

Activity	Timing of fieldwork	Output	Due date
<i>Review BVPIs</i>	July 2004	Report to the Audit Commission on the Council's BVPIs	To be advised
<i>Review BVPP</i>	August 2004	Audit report Letter to Chief Executive on any areas for improvement	31 December 2004
<i>Auditor scored judgements</i>	To be advised.	Return to Audit Commission.	To be advised
<i>Participate in roundtable meeting on improvement planning and contribute to development of the Relationship Manager's joint audit and inspection plan.</i> <i>Update risk assessment.</i>	January and February 2005	Confirmation of this audit plan (see section 1).	31 January 2005
<i>Review general computer controls</i>	May 2005	Separate report	30 June 2005
<i>Review overall arrangements to prevent and detect fraud and corruption</i>	July 2005	Inclusion of points, by exception, in draft governance memorandum	31 July 2005
<i>Review of Internal Audit and their work on key controls</i>	Review of overall arrangements – April 2005 Review of working papers for key controls work expected to be complete by 30 June 2005 - July 2005	Inclusion of points, by exception, in draft governance memorandum	31 July 2005
<i>Performance management</i>	Review of corporate performance management to be agreed depending on timing of Council's project. Ongoing monitoring work.	Report on corporate performance management arrangements. Comments in Annual Audit Letter.	To be agreed
<i>Final audit visit</i>	August 2005	SAS 610 report on audit findings Audit opinion on financial statements Audit opinion on summarised financial statements	SAS 610 report to committee – date to be arranged Approval of accounts following audit – date to be arranged Opinion by 30 November 2004

Activity	Timing of fieldwork	Output	Due date
<i>Financial standing work</i>	September and October 2005	Comments in Annual Audit Letter	Date to be advised by Audit Commission
<i>Legality arrangements</i>	September and October 2005	Comments in Annual Audit Letter	Date to be advised by Audit Commission
<i>Issue audit letter</i>	November and December 2005	Annual Audit Letter	Date to be advised by Audit Commission

5. OUR SERVICE TEAM

Our audit team will mainly be drawn from our London North office, based in St Albans. We have detailed below the senior members of the audit team who will lead the work. Nigel Johnson will be the partner responsible for our services to you.

<p>Nigel Johnson 01727 885178 njohnson@deloitte.co.uk</p>	<p><i>Appointed Auditor and Lead Audit Partner</i></p> <p>Primary responsibility for the audit, client service, work on objections and questions from local electors.</p> <p>Experienced audit partner with extensive range of public sector audit experience in Local Government and Health sectors. Leads the firm's Audit Commission work and is Contact Partner for the Audit Commission. Also has wide range of private sector experience.</p>
<p>Roger Miles 01727 885127 rmiles@deloitte.co.uk</p>	<p><i>Second Partner</i></p> <p>Experienced audit partner who works on other Audit Commission work. He will assist Nigel in planning and review of the audit and will be a sounding board when issues arising from the audit require such consultation before we arrive at a definitive judgement.</p>
<p>Angus Fish 01727 885038 afish@deloitte.co.uk</p>	<p><i>Lead Manager</i></p> <p>Responsible for client service on day-to-day basis. Wide range of private and public sector audit experience.</p>

<p>Vincent Marke 01727 885205 vmarke@deloitte.co.uk</p>	<p><i>Manager</i></p> <p>Assist with planning, supervision and control of the audit.</p>
<p>Richard Lawson 01727 885289 rilawson@deloitte.co.uk</p>	<p><i>Manager</i></p> <p>Responsibility for management of grants programme.</p>
<p>Ryan Loughins 020 70076193 rloughins@deloitte.co.uk</p>	<p><i>Senior Manager</i></p> <p>Responsibility for delivery of computer audit work.</p> <p>Computer audit specialist in our London Office carrying out this work across our council clients.</p>
<p>Rhonda Wootten 01727 885652 rwootten@deloitte.co.uk</p>	<p><i>Senior Manager</i></p> <p>Carries out performance studies at local government sites.</p>

In addition to the above, we note that Neil Williams, audit director, is our firm's lead contact on our inspection work and therefore may have some liaison with the Audit Commission's Relationship Manager, along with Nigel, Angus and Rhonda, in respect of our inspection work.

APPENDIX

Statement of responsibility

The Audit Commission published a ‘Statement of responsibilities of auditors and of audited bodies’ alongside the Code. The purpose of this statement is to assist auditors and audited bodies by summarising where, in the context of the usual conduct of the audit, the different responsibilities of auditors and of the audited body begin and end, and what is expected of the audited body in certain areas. The statement also highlights the limits on what the auditor can reasonably be expected to do. It confirms that the audit cannot be expected to:

- identify all weaknesses that may exist either in the audit body’s internal controls over financial systems or in the body’s financial plans, projections or budgets
- remove the possibility that fraud, irregularities or corrupt practices have occurred and remained undetected, nor is it the auditors function to prevent fraud and irregularities though we will be alert to the possibility and will act with no undue delay if grounds for suspicion come to our notice.

It remains your responsibility to identify and address operational and financial risks and develop proper arrangements to manage them, including adequate and effective systems of internal control.

Our audit plan has been prepared on the basis of the Code and the Statement of Responsibilities, copies of which have been provided to the Council by the Audit Commission.

The audit sometimes includes the performance of national studies developed by the Audit Commission, where the auditors are required to follow the methodologies and use the comparative data provided

by the Commission. Responsibilities for the adequacy and appropriateness of these methodologies and the data rests with the Audit Commission.

Quality of service

If, at any time, you believe our service to you could be improved, or if you are dissatisfied with any aspect of our service you should raise the matter with the partner responsible for providing our audit service to you. If you would prefer to discuss the matter with someone other than that partner, or if you wish to make a complaint, please call or write to Mr Roger Miles, the partner in charge of our St Albans office. If we are unable thus to satisfy your concerns, you have the right to take the matter up with the Audit Commission (details are given in the Audit Commission publication ‘What you can expect from your external auditors’, copies of which can be provided if required).

Independence

Our audit engagement with the Audit Commission for your Council requires us to confirm and maintain our firm’s independence from the Council and its members and officers. Our checks on appointment did not reveal any conflicts that either prevented us from acting for the Council, or require specific arrangements to ensure our ongoing audit independence. We ask that the Council, its members and officers alert the Appointed Auditor as to any new relationship with Deloitte & Touche LLP or any of its staff so that this can be considered in this context.