

Government and Public Sector

# Wandsworth Borough Council

2009/10 Annual Audit Letter

September 2010

The Members  
Wandsworth Borough Council  
Town Hall  
Wandsworth High Street,  
Wandsworth, SW18 2PU

28 September 2010

Ladies and Gentlemen

We are pleased to present our Annual Audit Letter summarising the results of our 2009/10 audit.

Yours faithfully

PricewaterhouseCoopers LLP

***Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies***

*The 'Statement of responsibilities of auditors and of audited bodies' issued by the Audit Commission in April 2008 applies to our 2009/10 audit of Wandsworth Borough Council under the Code of Audit Practice for Local Government Bodies issued by the Audit Commission in July 2008. A copy of the statement is available from the Chief Executive of Wandsworth Borough Council. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement and the Code of Audit Practice. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.*

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# Introduction

## The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2009/10 audit work we have undertaken at Wandsworth that is accessible for Council Members and other interested stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- Audit opinion for 2009/10 financial statements, incorporating the conclusion on Value for Money
- Report to those charged with Governance (ISA (UK&I) 260)

The matters reported here are those that we consider are most significant for the Council and a summary of the key recommendations that we have made can be found in Appendix A.

## Scope of work

Our audit work is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its financial statements, including the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements;
- reviewing the Council's Annual Governance Statement;
- forming a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission.

# Audit findings

## Accounts

We audited the Council's accounts in line with International Standards on Auditing (UK & Ireland) and issued an unqualified audit report on 6 August 2010.

There were a small number changes to the draft accounts approved by the Council in June 2010. Most of these changes related to the presentation of the accounts or disclosures and did not change the reported results. The only significant adjustment related to the Insurance Fund Provision which was reduced by £2,690,000 to £3,453,000. The adjustment was required as this element of the provision did not relate to notified claims and therefore should not be recognised as a charge to expenditure. This has been adjusted in the revised accounts and an equivalent amount has been transferred to reserves.

Next year, the accounts for local government will be prepared under a new accounting framework (International Financial Reporting Standards – IFRS) which has already been adopted by Central Government and the Health Service. The Council faces some specific challenges to implement the changes within resource constraints, particularly in dealing with the more complex requirements for accounting for fixed assets and capital expenditure. The Council will need to assess its resource requirements and monitor the implementation plan carefully over the next nine months to avoid missing the June 2011 deadline for the approval of accounts.

## Use of Resources

We assess the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources based on criteria issued by the Audit Commission and issued an unqualified conclusion on the Council's arrangements for its Use of Resources on 6 August 2010.

Following the government announcement that the Audit Commission's process for comprehensive area assessment (CAA) is to be abolished, all work on Use of Resources for CAA ceased at the end of May. Therefore we cannot report Use of Resources scores, as this work was not completed. However, we had completed the majority of the work on the assessment prior to May and we have reported on the main issues arising on the work we had undertaken to the point work ceased.

In overall terms, our view was that the Council was making good progress in implementing the recommendations arising from the previous year's Use of Resources exercise against the three themes assessed under the Use of Resources Framework. 'Managing Finances' remained an area of strength. We noted developments in 'Governing the Business' including progress on developing the IT strategy and business continuity arrangements. The Council has highlighted the continuing development of an authority-wide disaster recovery plan as a significant governance issue in the Annual Governance Statement and we concur with the view that this should remain a priority for management.

On the third theme of 'Managing Resources' we undertook more detailed work on aspects of workforce planning, organisation and development for the first time. The arrangements were assessed as good and in line with the other London boroughs for which we are appointed auditors.

## Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement which is consistent with guidance on: 'Delivering Good Governance in Local Government'. We reviewed the Statement to consider whether it complied with the guidance and whether it is misleading or inconsistent with other information known to us from our audit work. We agreed additional disclosures to reflect new guidance on the role of the Chief Financial Officer which is included in the updated financial statements. We found no areas of concern to report in this context.

# Summary of recommendations

Page	Recommendation	Management Response	Target Implementation Date
5	The Council should develop a plan for the transition to IFRS and the Audit Committee should monitor progress on the implementation of IFRS at each of its committee meetings over the next 12 months.	In November 2009 PwC undertook an assessment of the Council's progress on the implementation of IFRS and determined that the Council be given an 'amber light', comparing favourably with the assessments made for many Councils. Work on the implementation has continued to quantify the effects of the new standards, and will accelerate once the accounts for 2009/10 have been signed off. An outline plan will be produced for the remaining work, with progress against the plan being reported to the Audit Committee.	September 2010

