

Annual Audit Letter

Greater London Authority

Audit 2008/09

December 2009



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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.
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Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit opinion

- 1 The Authority submitted draft accounts for audit in accordance with the agreed timetable with a complete set of working papers that were produced to a good standard.
- 2 I issued an unqualified audit opinion on the Authority's financial statements on 30 September 2009.

Value for money

- 3 I issued an unqualified value for money conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources on 30 September 2009.

Use of resources

- 4 I have assessed the Authority's use of resources in line with the new methodology developed by the Audit Commission. The Authority has been assessed as performing adequately.

Financial statements and annual governance statement

The Authority's financial statements and annual governance statement are an important means by which the Authority accounts for its stewardship of public funds.

- 5 I issued an unqualified audit opinion on the Authority's financial statements and annual governance statement on 30 September 2009.
- 6 The Authority submitted draft accounts for audit in accordance with the agreed timetable with a complete set of working papers that were produced to a good standard. There were no significant issues arising from the audit or noteworthy improvements to the qualitative aspects of your financial reporting.
- 7 I have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.
- 8 I do not provide a comprehensive statement of all weaknesses which may exist in internal control, nor of all improvements which may be made. I only report those matters which have come to my attention because of the audit procedures I and my staff have performed.

Value for money and use of resources

I assessed whether the Authority put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

I also considered how well the Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

VFM conclusion

- 9 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. The Audit Commission specifies each year, which of the use of resources key lines of enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body. My conclusion on each of the areas specified is set out in Appendix 1.
- 10 I issued an unqualified VFM conclusion on 30 September 2009 stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Use of resources judgements

- 11 In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). For 2008/09, the use of resources assessment was more challenging, with a greater focus on outcomes and value for money achievements.
- 12 Judgements have been made for each KLOE using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 13 I have also considered, where appropriate, findings from previous use of resources assessments and any other relevant audit work.
- 14 The Authority has been assessed as performing adequately, level 2, in its overall approach to use of resources. The supporting theme scores are set out in table 1 overleaf. The underlying KLOE scores are summarised in Appendix 1.

Table 1 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	2
Managing resources	2

- 15** The Authority performs well managing its finances. Financial, strategic and service planning continue to be well integrated. The Authority has a history of strong financial management delivering its spending within available resources. The budget is widely consulted on. The Authority understands its costs and significant savings have been delivered in 2008/09 with further planned savings incorporated into its medium term financial planning. Financial reporting is robust and timely and meets the needs of internal users, although more could be done to tailor external reporting to the needs of stakeholders.
- 16** The Authority performs adequately governing the business. Several initiatives have been introduced around procurement and commissioning, but it is too early to show that the expected outcomes are being delivered. New performance indicators have been introduced that are still bedding in. A formal data quality policy should be drawn up to help support them. The building blocks for good governance have been put place, however, many of these improvements are recent and it is too early to assess fully their impact. Arrangements for risk management and internal control are generally sound with some evidence of outcomes being delivered, but there is still some scope for improvement.
- 17** The Authority performs adequately managing its resources. The Authority has a strategic pan-London role working with partners to ensure that natural resources are used effectively. However, my assessment is required to focus on the natural resources that the Authority directly manages and uses at its headquarters at City Hall and through its stewardship of Trafalgar and Parliament Squares. Several initiatives to make better use of its own natural resources are being implemented. Some of which have already started to deliver, for example, when compliance with the Mayor's Green Procurement Code was externally audited in 2008, savings of 2,290 tonnes of CO₂ were recorded. The implementation of the planned revised environmental policy which will include targets for managing reductions, and the embedding of initiatives should enable the Authority to show that it is delivering sustained outcomes.
- 18** I have reported further detail on my findings and conclusions to officers in a separate Use of Resources report.

Local risk based work

- 19 A local risk-based review of the Authority's arrangements for maintaining IT security, using a staff survey ('your business @ risk') was undertaken. Officers, who responded to the survey, had the overwhelming view that IT security at the Authority is adequate or better and that all staff have a role to play in it. However, there were some areas identified where the Authority could raise staff awareness of IT security matters. The results of the survey have been set out in a separate report with recommendations where staff awareness could be improved.
- 20 The action plans from two previously issued reports - freedom of information and e-government benefits - were followed up and the progress made reported in a separate report.

Organisational assessment

- 21 During 2009, the Audit Commission introduced new arrangements for performance assessment, known as the organisational assessment. The assessment, which is undertaken by the Audit Commission's CAA London Co-ordinator, draws on the use of resources assessment reported above. The organisational assessment will be published on the Audit Commission's website in December 2009.

Other matters

Governance arrangements

- 22** My predecessor reported to you last year that he was not able to issue his certificate formally concluding the 2007/08 audit as he was still considering several matters about the Authority's use of public funds, linked to previous work undertaken by the Authority's officers charged with specific responsibilities for aspects of the Authority's governance, in particular the review of the Authority's grant-funding of a number of organisations. My predecessor made several recommendations that the Authority agreed to action to improve its governance arrangements.
- 23** During this audit year my predecessor completed his work on these matters and issued his certificate formally concluding the 2007/08 audit on 22 July 2009. He reported his findings to the Mayor and the Audit Panel in two reports.
- Governance arrangements for grant-funding organisations.
 - Governance arrangements for investigation Assembly Member concerns.
- 24** The Authority is taking action to address my predecessor's recommendations, in particular arrangements for maintaining and controlling the register of staff interests have been improved, including a stricter regime for new Mayoral appointees whose interests are published on the Authority's website to help promote openness and transparency. The Authority's Annual Governance Statement recognises that it needs to continue to improve its governance arrangements.
- 25** More recently the Authority has extended the transparency of its governance arrangements to disclose the expenses of the Mayor and Mayoral appointees on the Authority's website, following a high-profile case on the misuse of expenses.
- 26** The Executive Director of Resources reported to the Audit Panel on 15 October 2009 that substantial progress has now been made in responding to the recommendations set out in the action plans of the two reports above. I will continue to review the progress that the Authority makes.

Closing remarks

- 27 I have discussed and agreed this letter with the Chief Executive and the Executive Director of Resources. A copy of the letter will be presented to the Mayor before it goes to the Audit Panel.
- 28 Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Authority during the year.

Table 2 **Audit reports**

Report	Date issued
Audit and inspection plan	June 2008
Supplementary audit plan	March 2009
Governance arrangements for grant-funding organisations	July 2009
Governance arrangements for investigation Assembly Member concerns	July 2009
Annual Governance Report	September 2009
Opinion on financial statements	September 2009
Value for money conclusion	September 2009
Freedom of Information and e-government benefits follow-up	November 2009
Your business at risk: information security awareness	December 2009
Use of Resources report	December 2009

Independence update

- 29 I have identified the following relationship that might affect objectivity and independence and have put appropriate safeguards in place.

Table 3 **Relationships and safeguards**

Relationship	Safeguard
<p>The Audit Commission Comprehensive Area Assessment (CAA) Lead for North Central London is the partner of the Authority's Head of London Plan.</p> <p>An associated related party disclosure has been made in the Authority's financial statements.</p>	<p>The CAA Lead has no involvement in the audit or inspection of the Authority.</p>

Audit fee update

- 30 The Audit fee set out in my original plan was £120K. In addition to this an audit fee of £5K has been incurred for reviewing severance arrangements.

Table 4 Audit fees

	Planned	Actual
Financial statements and annual governance statement	70,000	70,000
Value for money and use of resources	50,000	50,000
Total audit fees	120,000	120,000
Additional fee audit work	-	5,000
Total	120,000	125,000

- 31 Finally, the Authority has taken a positive and helpful approach to our audit. I wish to thank the Authority staff for their support and co-operation during the audit.

Les Kidner
District Auditor
December 2009

Appendix 1 – Use of resources key findings and conclusions

The following table summarise the scores and conclusions for each of the three use of resources themes.

KLOE	Use of resources score	Proper arrangements for the value for money conclusion?
Managing finances		
Planning for financial health	3	Yes
Understanding costs and achieving efficiencies	3	Yes
Financial reporting	2	Yes
Governing the business		
Commissioning and procurement	2	Yes
Use of information	2	Yes
Good governance	2	Yes
Risk management and internal control	2	Yes
Managing resources		
Natural resources	2	Yes

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

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