

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

EXTERNAL AUDIT REPORTS

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider external audit's fee letter and three reports:
- VFM Plan 2010/2011; and
 - Interim Systems Report 2010/11
 - External audit Progress Report and Briefing.
- 1.2 The fee letter provides details of the external audit fee for the 2011/12 financial year. The VFM Plan sets out the audit work for the value for money conclusion for 2010/11. The Systems Report is new and is designed to brief the Committee on any major findings from interim work completed so far. The Progress Report and Briefing provides an update on progress on external audit's statutory work as well as highlighting key emerging national issues and developments which may be of interest to Members.

2. BACKGROUND INFORMATION

- 2.1 The external audit fee for the 2011/2012 financial year is based on the risk based approach to audit planning as set out in their Code of Practice and mandated work determined by the Commission. A copy of fee letter is attached at appendix A.
- 2.2 Fees will be reviewed and updated as necessary as 2010/11 audit work that impacts on the audit planning process is completed. The scale fee for the council is £229,633 (plus £49,000 for certification of claims and returns). This represents a decrease against the fee planned for 2010/11 of £255,148 (plus £49,000 for certification of claims and returns).
- 2.3 The VFM Plan sets out external audit's work required to give a statutory conclusion on the council's arrangements to secure economy, efficiency and effectiveness. The report is attached at appendix B.
- 2.4 The Interim Systems Report is attached at appendix C. No major control failures have been identified in the work completed so far,

however some improvements to third party transaction verification were identified and appropriate action has been agreed.

- 2.5 External audit's Progress Report and Briefing is designed to provide the Audit Committee with a report on progress in delivering their statutory responsibilities. The update also seeks to highlight key emerging national issues and developments which may be of interest to Members. The report is attached at appendix D. The committee requested an update on progress made in respect of the key issues highlighted in the Progress Report and Briefing which was presented to Members in January. Three issues were highlighted:

Issue	Response	Update
Representation at next year's final accounts workshops	The Corporate Accountant will attend	Senior accountancy staff attended both Audit Commission and Grant Thornton hosted workshops
The Audit Committee to review key questions posed by the Financial Reporting Council (FRC) in its November 2010 report on the challenges facing Audit Committees	This will be reported in April and inform the 2011/12 forward plan and assurance map	To be reported in June as part of an evaluation process
Council consideration of alternative assurance arrangements in respect of the performance of its adult social services	Performance data continues to be collected and monitored. Although the Care Quality Commission (CQC) will no longer conduct an annual performance assessment, new arrangements are being monitored and a draft outcome framework is currently out to consultation	Nothing further to report still awaiting clarification

3. OPTIONS FOR CONSIDERATION

- 3.1 The Audit Committee is invited to consider external audit's reports and should seek clarification from the Audit Commission as necessary.

4. ANALYSIS OF OPTIONS

4.1 The fee and VFM Plan are the result of a risk assessment and complies with statutory requirements governing external audit and inspection work.

4.2 The Interim Systems Report provides the Committee with specific information on progress on external audit's work. This will help Members consider whether current assurance coverage is sufficient.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 Audit fees of £229,663 (plus £49,000 for certification of claims and returns) are met within existing budgets.

5.2 There are no staffing, property or IT implications.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

6.1 External Audit and inspection duties are statutory requirements under the provisions of the Audit Commission Act 1998, the Code of Audit Practice and the Local Government Act 1999.

6.2 The work and proposed fee is based on the Audit Commission's risk-based approach to audit planning. Throughout the year work is targeted to have best effect based on risk assessment and performance. More details of risk assessments will be contained within external audit's plan which will be issued in January 2012. There are no environmental, diversity, Section 17 or other implications.

7. OUTCOMES OF CONSULTATION

7.1 Each report has been discussed and agreed with the Director of Finance.

8. RECOMMENDATIONS

8.1 The Audit Committee notes the audit fee for 2011/2012.

8.2 The Audit Committee notes the VFM Plan report and receives further reports as the work is concluded in the Annual Governance Report and Annual Audit Letter.

8.3 The Audit Committee notes the findings contained in the Interim Systems Report and the assurance the appropriate action is being taken to address the issues identified.

- 8.4 The Audit Committee notes the external audit progress report and briefing.

DIRECTOR OF FINANCE

Pittwood House
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB
Author: C Andrews
Date: 22 March 2011

Background Papers used in the preparation of this report

Annual Audit Fee Letter 2011/12

Audit Commission reports:

VFM Plan – Audit 2010/2011

Interim Systems Report – Audit 2010/11

External Audit Progress Report and Briefing - Audit 2010/11

25 February 2011

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Chief Executive
North Lincolnshire Council
Pittwood House
Ashby Road
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North Lincolnshire
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commission.gov.uk

Dear Mr Driver

Annual audit fee 2011/12

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year for the Council. The fee reflects the risk-based approach to audit planning set out in the Audit Commission's Code of Practice and work mandated by the Commission for 2011/12. The audit fee covers:

- the financial statements audit;
- the value for money conclusion; and
- the whole of government accounts certificate.

As I have not yet completed my audit for 2010/11 the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses.

Audit fee

The Audit Commission proposes to set the scale fee for each audited body for 2011/12, rather than providing a scale fee with fixed and variable elements. The scale fee reflects proposed decreases in the total audit fee, as follows:

- no inflationary increase in 2011/12 for audit and inspection scales of fees and the hourly rates for certifying claims and returns;
- a cut in scale fees resulting from our new approach to local VFM audit work; and
- a cut in scale audit fees of 3 per cent for local authorities, police and fire and rescue authorities, reflecting lower continuing audit costs after implementing IFRS.

The scale fee for the Council is £229,633. The scale fee is based on the planned 2010/11 fee, adjusted for the proposals summarised above, shown in the table below. Variations from the scale fee will only occur where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee.

Audit area	Scale fee 2011/12	Planned fee 2010/11
Audit fee	229,633	255,148
Certification of claims and returns	£49,000	£49,000

I will issue a separate audit plan by January 2012 when I will have updated my risk assessment for both the financial statements audit and the vfm conclusion. The audit plan will set out the audit procedures I plan to undertake and any changes in fee that may be required. If I need to make any significant amendments to the audit fee, I will first discuss this with the Director of Corporate Services. I will then prepare a report outlining the reasons the fee needs to change for discussion with the Audit Committee.

I will issue several reports over the course of the audit. I have listed these at Appendix 1.

The fee excludes work the Commission may agree to undertake using its advice and assistance powers. We will negotiate each piece of work separately and agree a detailed project specification.

Audit team

Your audit team must meet high specifications and must:

- understand you, your priorities and provide you with fresh, innovative and useful support;
- be readily accessible and responsive to your needs, but independent and challenging to deliver a rigorous audit;
- understand national developments and have a good knowledge of local circumstances; and
- communicate relevant information to you in a prompt, clear and concise manner.

The key members of the audit team for 2011/12 are:

Name	Contact details	Responsibilities
Mark Kirkham Engagement Lead	m-kirkham@audit-commission.gov.uk 0844 798 2304	I am responsible for the overall delivery of the audit including the quality of

		outputs, liaison with the Chief Executive, Director of Corporate Services and Chair of Audit Committee and issuing the auditor's report.
Rob Walker Engagement Manager	rj-walker@audit-commission.gov.uk 07912 763085	Rob Walker manages and coordinates the different elements of the audit work. Key point of contact for the Service Director Finance
Matt Moore Team Leader	m-moore@audit-commission.gov.uk 01724 296149	Matt Moore has experience of auditing the financial statements of large local authorities. He will lead the on-site team in delivering the audit.

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. Alternatively you may wish to contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely

Mark Kirkham
District Auditor

cc Service Director Finance

cc Chair of the Audit Committee

Appendix 1- Planned outputs

We will discuss and agree our reports with officers before issuing them to the audit committee.

Table 1

Planned output	Indicative date
Audit plan	January 2012
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Final accounts memorandum	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013

Value for money plan

North Lincolnshire Council

Audit 2010/11

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.

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Introduction

This plan sets out the audit work that I propose to undertake for the value for money conclusion for 2010/11.

1 As I indicated in the full audit plan issued recently, I am required to give a statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness. I will need to conclude whether you have arrangements in place to:

- secure financial resilience; and
- challenge how you secure economy, efficiency and effectiveness.

2 In its published guidance the Audit Commission has defined the proper arrangements for value for money and has compiled a set of potential risk indicators.

Risk assessment

3 I am required to plan my work based on a VFM risk assessment, informed by the Audit Commission criteria and my responsibilities under the Code of Practice. The risk indicators are not exhaustive and need to be tailored to local circumstances. I have shown these at Appendix 1.

4 The VFM audit risk is the risk of an incorrect VFM conclusion. My risk assessment is based on:

- cumulative knowledge;
- regular meetings with chief officers;
- attendance at the Audit Committee;
- review of minutes and financial reports; and,
- analysis of financial ratios and indicators using Audit Commission tools such as the profile of costs allowing comparison.

Initial assessment of risks

5 In carrying out my initial risk assessment I have identified no significant risks at this stage but I will continue to review this risk by reviewing key financial planning and monitoring documents and through discussions with chief officers.

Audit personnel and key contacts

6 The following Audit Practice staff will be involved with the work.

Name	Contact details
Rob Walker	rj-walker@audit-commission.gov.uk
Matt Moore	m-moorelt@audit-Commission.gpv.uk

Reporting the results of the work

7 I will report any matters arising from this work as part of the Annual Governance Report and Annual Audit Letter. I will also issue an audit report including the conclusion on whether you have put in place proper arrangements for securing economy, efficiency and effectiveness in your use of resources.

Appendix 1 VFM Risk Indicators – Audit Commission Guidance

When planning work to support the VFM conclusion, auditors need to consider relevant risks relating to these criteria. The following tables set out risk indicators relating to the specified criteria. Auditors may wish to consider these indicators as part of their risk assessment.

The highlighted risks given are not exclusive or exhaustive, and their relevance and impact will depend on the local circumstances of individual audited bodies. Auditors do not need to undertake specific work to address each of the risk indicators. Auditors may be aware of other risks relevant to the criteria not included here that should also be considered as part of the risk assessment. The risk indicators provided below may help auditors to consider the extent and focus of their local VFM work.

Table 1: **Securing financial resilience: risk indicators**

Financial governance

Director of Finance/Section 151 officer is not on the leadership team.

Lack of capacity in the finance department or high turnover of senior or specialist finance staff.

Lack of understanding by the leadership team of the current financial position and potential future implications.

A focus by the leadership team on thinking and operating in the short term.

Poor communication by the leadership team to staff and external stakeholders of the medium to long-term financial strategy, current financial position and likely financial challenges.

Failure by the audit committee to provide robust challenge on financial matters within its remit.

2009/10 qualified VFM conclusion relating to the financial governance and leadership aspects of the VFM conclusion criterion on financial planning and financial health or the system of internal control aspects of the criterion on risk management and internal control.

Financial planning

Pending legal or regulatory proceedings against the body that may, if successful, result in claims that the body is unlikely to be able to satisfy without a significant impact on its financial stability.

Reliance on short-term fixes (for example asset sales) to improve the cash position.

Regular use of reserves and investment income to balance budgets or use of reserves to fund recurrent expenditure.

Low level of general reserves or significant fall in levels of reserves (general and earmarked) over the last two years.

Significant deterioration in the value of assets, the impact of which has not been recognised or is not being addressed in the MTFP.

Failure of the leadership team to understand fully the financial implications of risks.

Weaknesses in medium to long-term financial planning, for example:

- absence of an up-to-date sustainable three to five year medium-term financial plan (MTFP);
- absence of realistic scenario planning; or
- absence of a long-term (10 years or more) financial strategy taking into account the financial impact of demographic trends or other economic, environmental or social pressures.

2009/10 qualified VFM conclusion relating to VFM conclusion criterion on financial planning and financial health.

High dependence on one income source, poor understanding of income sources and their sensitivity to economic changes, or absence of a recent review of charging policies.

Financial risks are managed in the short term only with limited consideration of longer term implications.

Financial control

Poor in-year forecasting resulting in, for example, significant unexpected budget overspends or underspends in the last two years.

Non-compliance with capital or other statutory requirements, for example the Prudential Code, CIPFA Treasury Management Code.

2009/10 qualified VFM conclusion relating to the managing spending aspects of the VFM conclusion criterion on financial planning and financial health or the financial monitoring and forecasting aspects of the criterion on financial monitoring and reporting.

Significant prior year budget overspend.

Limited or no monitoring of key financial ratios.

Adverse key financial ratios.

Cashflow difficulties resulting in inability to pay creditors on due dates and/or inability to comply with loan agreement terms.

Table 2: **Securing economy, efficiency and effectiveness – risk indicators**

Prioritising resources

Lack of leadership from senior management and members on prioritising resources and spending reductions.

Limited action to review and challenge strategic priorities and cost-effectiveness of existing activities in the context of the medium-term financial plan (MTFP), and the impact of changing circumstances, to identify where activities do not contribute sufficient value.

Lack of input from or consultation with front-line staff and local residents, where appropriate, to determine local priorities for resources or opportunities for savings.

Decision-making not based on appropriate or adequate information.

Inadequate cost-benefit analysis, options appraisal or cost information to evaluate or support cost reduction plans.

Lack of, or limited, consideration of alternative, lower cost options for delivery.

Focus is on high cost activities to the exclusion of other activities, or on short-term rather than longer term options for reductions.

Inability to identify or justify high levels of spending compared to other comparable bodies.

Lack of understanding of resources at the disposal of relevant partnerships.

Cost reductions create unintended impacts on activities and increased spending or capacity gaps in other departments or other bodies.

Poor record of reducing spend on non-priority areas, or inadequate arrangements to monitor implementation of spending reductions.

Improving efficiency and productivity

Lack of, or limited, information on unit costs, transaction costs or whole life costs or poor understanding of what has driven changes in costs over time.

High unit costs compared to other comparable bodies or inability to justify higher unit costs.

Inward-looking and not open to using comparative data and sources of good practice (including relevant Audit Commission studies) to challenge arrangements for securing VFM.

Poor understanding of how costs (including unit and transaction costs) and performance compare to that of other similar bodies (for example limited use of the Audit Commission's VFM profile tool or other benchmarking information), or inability to justify higher costs.

Lack of robust efficiency plans, including timescales, setting challenging efficiency targets and how they will be delivered.

Inadequate evaluation of options for making efficiencies and focus on achieving short-term efficiencies rather than on long-term sustainable savings.

Lack of input from front-line staff to the efficiency savings programme.

Not challenging the way activities are delivered or exploring innovative and new ways of delivering activities, for example through outsourcing or shared service arrangements, or in partnership with other bodies or by using the voluntary sector or local community groups.

Inadequate arrangements to monitor achievement of efficiencies and reductions in unit costs, and the impact on service quality and provision.
Lack of understanding of how savings impact on performance.

Poor record of achieving planned efficiencies or reductions in unit costs.

2009/10 qualified VFM conclusion relating to the VFM conclusion criterion on understanding costs and achieving efficiencies.

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



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Interim Systems Report

North Lincolnshire Council

Audit 2010/11

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.

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Background

1 This memorandum sets out the major findings from our interim work completed so far. This work comprises:

- walking through controls on your major financial systems to ensure the controls are working as expected; and,
- testing controls as part of our three-year testing programme. We rely on the work of internal audit, where it is efficient to do so.

2 Where system weaknesses are identified we report them to those charged with governance at the Council.

Audit Approach

3 We comply with recognised auditing standards set out in the international auditing standards and the Audit Commission's code of practice.

4 Having identified transactions material to the financial statements, we document the processes you have to:

- initiate the transaction;
- record and process on the relevant system; and
- report within the financial statements.

5 The aim of the documentation is to:

- enable us to gain an understanding of the system; and
- allow us to identify all significant controls, and assess the risk of material misstatement.

6 Based on this information we design appropriate testing.

7 Major systems reviewed detailed at Appendix 2.

Main conclusions

8 We have identified no major control failures in our work completed so we are able to place reliance on your controls in our work on the financial statements. We have also agreed recommendations on the new professional requirements for recording related parties transactions.

9 Status of work

- initial walk-throughs are complete; and,
- work on controls testing is in progress.

Related Party Transactions

10 The Council needs to disclose any relevant related party transactions in its accounts, for example, where members or officers have a connection to a third-party organisation that also has financial transactions with the Council.

11 The latest IFRS Local Authority Code of Practice and International Auditing Standards clarifies the expected controls over related party transactions.

12 You have a system for collecting and recording this information in the accounts. However, there is scope to strengthen arrangements, to ensure full compliance with the latest professional guidance.

13 The Council needs to:

- consider whether the current arrangements adequately cover all officers with influence over financial transactions (the current arrangements exclude some officers with delegated responsibility for ordering goods);
- consider whether the transactions are material to the related party, as well as the Council;
- ensure the notes to the accounts include sufficient information to allow the reader to understand:
 - how the transaction was undertaken; and,
 - what if any influence did the related party have on the transaction or balance; and
- ensure officers with connections to third parties are not part of the decision making process when contracting with these bodies.

14 Details of our findings, controls and an agreed action plan included at Appendix 1.

Audit Consequences

15 Substantive testing of the Related Party Transaction disclosures is required as the controls identified in the Council's arrangements require improvement.

16 This does not have an impact on the overall audit fee.

Appendix 1 Related Party Transactions

The Council related party arrangements and action plan

Code Requirements	Current Arrangements	Improvement Area	Response	Responsible Officer	Date
Relationships that result in Related Parties	<p>Legal services maintain a register of members interests</p> <p>Yearly reminders that require a positive return are sent out.</p> <p>Declaration of Interest forms are sent to Officers of Grade 11 and above, and staff at schools and BSF.</p> <p>Finance follows up and monitors the returns.</p>	<p>Consider whether the current arrangements adequately cover all officers with influence over financial transactions. The current arrangements exclude some officers with delegated responsibility for ordering goods.</p>	<p>The Related Parties process will be amended to include all Authorised Signatories including those in schools</p>	Mark Kitching	30 April 2011
Identifying Material transactions.	<p>The Council carry out a search of various systems to identify transactions with the related parties identified above.</p>	<p>Consider whether the transactions are material to the related party as well as the Council for the accounts notes.</p>	<p>A Judgement will be made on a case by case basis once all the officer declarations have been received</p>	Mark Kitching	31 May 2011

Code Requirements	Current Arrangements	Improvement Area	Response	Responsible Officer	Date
Presentation and Disclosure of Relationships, Transactions and Balances	<p>The Council plan to declare the transaction and balances with related parties in their statements consistent with prior years:</p> <p>There may be inadequate information to allow the reader to understand:</p> <ul style="list-style-type: none"> ■ how the transaction was undertaken; and ■ what if any influence did the related party have on the transaction or balance. 	<p>Ensure enough information included in the notes to the accounts to allow the reader to understand:</p> <ul style="list-style-type: none"> ■ how the transaction was undertaken; and ■ what if any influence did the related party have on the transaction or balance. 	Once identified as material each transaction will be investigated and reported	Mark Kitching	31 May 2011
Fraud Controls	<p>The process is a reactive year-end approach to provide the information for the statements disclosure.</p> <p>Arrangement are not in place to ensure that where connections exist to a third party relevant officers are not part of any decision making relating to the third party.</p>	Officers with commissioning powers are made aware of staff or members with connections to third parties contracting with the Council. Related parties should not be part of the decision making when contracting with the related parties.	The requirements will be communicated to a list of key procuring and commissioning staff identified by the Assistant Director Procurement and VFM's team	Mark Kitching	31 July 2011

Appendix 2 Major systems

Major financial feeder systems

- General Ledger
- Payroll
- Purchase Ledger
- Debtors Ledger
- Fixed Assets
- Investments
- Borrowing
- Carefirst
- NNDR
- Council Tax
- Housing and Council Tax Benefits
- Income Returns
- Cash Receipting

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April 2011

External audit progress report and briefing

March 2011

North Lincolnshire Council

Audit 2010/11

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Introduction

- 1** The purpose of this paper is to provide the audit committee with a report on progress in delivering our responsibilities as your external auditors.
- 2** This update also seeks to highlight key emerging national issues and developments which may be of interest to members.
- 3** If you require any additional information regarding the issues included within this briefing, please feel free to contact me or Rob Walker using the contact details at the end of this update.

Mark Kirkham

District Auditor

21 March 2011

Progress Report

Financial Statements

Systems Testing

4 We have largely completed the first stage of our work, which requires us to confirm that your controls are working as expected. A summary report is on the agenda of this meeting.

Work on Re-stated IFRS Accounts and VFM

5 We have started our work on IFRS re-statement and VFM. At the time of writing this work is in progress. We will give you a verbal update and report any major issues at the meeting.

Other Matters of Interest

Value for money profile tools

6 The Audit Commission's web-based value for money profile tools provide a key reference source for auditors and local public bodies to understand costs and to take an overview of comparative expenditure and performance.

7 The Commission has updated the value for money profile tools for councils, fire and rescue authorities and primary care trusts with 2009/10 final outturn data.

8 The adult social care data included in the profiles is still provisional. The Audit Commission will include finalised data in the profile tool on 21 March 2011.

9 The profiles are available online at vfm.audit-commission.gov.uk.

Audit and inspection of local authorities: Memorandum from DCLG

10 On 21 February 2011, the DCLG issued a memorandum outlining how the Government is taking forward the establishment of a new audit regime for local public bodies, and the underlying principles on which the Government believes any such regime should be based.

11 The paper concludes that the Government is working with a wide range of partners to design a new local audit regime, and prepare the in-house audit practice for transfer to the private sector, wind down the Commission and transfer any residual functions that are to be retained. The primary legislation necessary to make these changes will be introduced at the earliest opportunity. In the meantime, the Government will consult on its proposals for a new audit regime and will consider whether a draft bill would be helpful as a means of achieving early scrutiny of legislation.

Audit Commission responds to select committee inquiry

12 The Communities and Local Government Select Committee has published the written evidence it has received for its inquiry into the audit and inspection of local authorities.

13 The Audit Commission response focuses on its three main functions: audit, inspection and assessment, and value for money (VFM) studies. The submission recommends that:

- public bodies that have tax-raising powers or which spend large sums of public money should not be able to appoint their external auditors;

- there should continue to be integrated oversight of the new audit framework; and
- there should be more consideration of the local impact of the Commission's abolition and the loss of its expertise in areas like VFM, data and governance at a time of severe financial pressures.

Communities and Local Government draft Code of Recommended Practice on Local Authority Publicity

14 Local authorities are required to consider the Code of Recommended Practice on Local Authority Publicity when reaching any decision on publicity, which is defined as any communication, in whatever form, addressed to the public or a section of the public.

15 On 11 February 2011, the Department for Communities and Local Government published its revised draft Code of Recommended Practice on Local Authority Publicity. The Code provides guidance on the content, style, distribution and cost of local authority publicity, and is subject to approval by parliament.

2011/12 Audit Commission work programme and scales of fees

16 The Audit Commission has completed its consultation on its work programme and scales of fees for 2011/12.

17 The final work programme and scales of fees for local government, housing and community safety document confirms significant reductions in audit fees, reflecting both the new approach to local value for money audit work and a reduction in the ongoing audit costs arising from the introduction of International Financial Reporting Standards. Scale audit fees will be between 5 and 20 per cent lower in 2011/12 than in 2010/11.

18 Subject to the timetable for abolition, the Audit Commission is also committed to delivering further significant fee reductions of up to 15 per cent in 2012/13.

Code of recommended practice for local authorities on data transparency: consultation

19 The Government is consulting on a new Code of Recommended Practice for local authorities on the publication of data. The proposed Code is concerned with making data generated by authorities available and accessible to the public. It is intended to set out the requirement to publish data and minimum expectations and considerations.

20 This proposed Code is intended to provide a high level but formal statutory basis to the local transparency agenda, support current sector standards and complement publication and disclosure requirements under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004 (SI 2004/3391). It is for local authorities working with others, to determine detailed implementation arrangements.

Staff mutuals and the right of staff to run services

21 The Commissioning Joint Committee, sponsored by CIPFA, has released an information note on staff mutuals, and the right of staff to run services, which is a subject of growing interest for public service organisations and their employees.

22 Many staff mutuals are expected as a result of the Localism Bill. This would place a duty on principal authorities in England to consider 'expressions of interest' by relevant bodies in providing relevant services. Relevant bodies include any two or more employees and relevant services include all services except any which ministers specify in regulations.

23 Authorities will be able to reject expressions of interest only on grounds specified by ministers. The CLG consultation paper on the Community Right to Challenge proposes that an expression may be rejected if:

- the body submitting it is incapable of providing the service, or is not a suitable body to do so;
- a procurement exercise for it has already started; or
- another body has already expressed an interest in it.

24 If authorities accept them, they will be required to conduct a procurement exercise 'appropriate to the value and nature of the contract which would be awarded'. Not all appropriate procurement exercises involve competition, but many do, including the biggest. Staff mutuals will not therefore necessarily win contracts for the work in which they express an interest.

25 CLG believes that 1 April 2014 is the earliest date on which these provisions may come into effect.

Key Considerations

26 The Audit Committee is asked to note the contents of the report, seeking further assurances on external audit plan progress and other matters of interest where necessary.

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Appendix 1 External audit plan progress

Audit progress

Audit year	Title	Description	Timing	Output	Status
2010/11	Value for money conclusion	Conclude upon the Council's arrangements for securing value for money in the use of its resources.	September 2011	VFM conclusion	In progress
2010/11	Opinion audit	Provide audit opinion on the 2010/11 financial statements	September 2011	Audit opinion	In progress
2010/11	WGA	Review Whole of Government Accounts (WGA) consolidation pack	September 2011	Certified WGA return	Not yet started