

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**EXTERNAL AUDIT REPORT**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

1.1 To consider external audit's Update Report.

**2. BACKGROUND INFORMATION**

2.1 The Update Report provides the Audit Committee with a summary on progress in delivering external audit's statutory responsibilities. It also highlights key emerging national issues and developments which may be of interest to Members. A copy of the report is attached in appendix A.

2.2 Paragraph 35 of the report also contains questions for the Committee to consider. Appropriate action is being taken as follows:

Issues raised in the report	Progress to date
Has the Council established a timetable to enable the provision of the NFI data by the deadline of 8 October 2012?	Arrangements have been made for the required data sets to be prepared for submission by the deadline date
Has the Council reviewed its arrangements against the Audit Commission's guidance 'Claims and Returns: Good Practice for Authorities'?	This will form part of the grants audit review currently in progress
Has the Council used the checklist in the Audit Commission's briefing ' <i>Reducing the cost of assessments and reviews</i> ' to identify the potential for reducing costs?	This will be discussed with Adult Services colleagues for a review to be carried out as part of the 2012/13 internal audit plan

<p>Has the Council introduced the new standards and conduct arrangements required by the Localism Act 2011?</p>	<p>Details of the council's new standards and conduct arrangements are provided in the updated Annual Governance Statement and reported elsewhere on this agenda.</p>
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### 3. **OPTIONS FOR CONSIDERATION**

3.1 The Audit Committee should consider external audit's report and the assurance that has been given or can be implied from their conclusions. The Committee should seek clarification from the Audit Commission or council officers as necessary.

3.2 To take no action would invite adverse judgments in future.

### 4. **ANALYSIS OF OPTIONS**

4.1 Update reports provide 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 None.

### 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 There are no environmental, diversity, Section 17 or other implications.

### 7. **OUTCOMES OF CONSULTATION**

7.1 The Update Report has been discussed and agreed with the Director of Policy and Resources.

### 8. **RECOMMENDATIONS**

8.1 That the Audit Committee notes the external audit Update Report

DIRECTOR OF POLICY AND RESOURCES

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Date: 05 September 2012

**Background Papers used in the preparation of this report**

Audit Commission reports: Audit Committee Update

# **Audit** **Committee** **update**

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**North Lincolnshire Council**

**Audit 2011/12**

**The Audit Commission is a public corporation set up in 1983 to protect the public purse.**

**The Commission appoints auditors to councils, NHS bodies (excluding NHS foundation trusts), local police bodies and other local public services in England, and oversees their work. The auditors we currently appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms.**

**We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.**

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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. It includes an update on the externalisation of the Audit Practice.
- 2** This paper also seeks to highlight key emerging national issues and developments that may be of interest to members of the Audit Committee. The paper concludes by asking a number of questions that the Committee may wish to consider in order to assess whether it has obtained sufficient assurance on emerging issues.
- 3** If you require any additional information regarding the issues included within this briefing, please contact me or your Audit Manager using the contact details at the end of this update.
- 4** Finally, please also remember to visit the Audit Commission's website ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)) that now enables you to sign up to be notified of any new content that is relevant to your type of organisation.

Damian Murray

District Auditor

September 2012

# Progress report

## Financial statements

5 We have completed our work on the financial statements the governance report is considered on the agenda of this meeting.

# Update on outsourcing the work of the Audit Practice

**6** At its July 2012 meeting, the Audit Commission Board confirmed the audit appointments for the audit of the accounts of all principal bodies from 2012/13. These appointments commence on 1 September 2012.

**7** On 31 July 2012, the Director of Audit Policy and Regulation wrote to chief executives of all principal bodies to inform them of the Board's decision and to confirm their new audit provider.

**8** Each firm has made its own arrangements for making initial contact with the audited bodies to which it has been appointed.

**9** For our part, we remain committed to:

- fulfilling our remaining responsibilities to the high standards you expect and deserve; and
- managing a smooth transition from the Audit Practice to your new audit provider, KPMG.

# Update on the residual Audit Commission

## Audit Commission senior appointments

**10** The Audit Commission is reducing and reshaping its workforce so that it can deliver its remaining core functions of audit regulation, contract management and sector support.

**11** The Department of Communities and Local Government (DCLG) has advertised for a new Chairman of the Audit Commission to lead through the period of transition and downsizing, in advance of its proposed abolition. The new Chairman will take up post following the end of the term of office of the current Chairman in September 2012.

**12** More recently, the Board of the Audit Commission has announced the appointment of Marcine Waterman as Controller of Audit with effect from 1 September 2012. Marcine is currently the Commission's Director of Audit Policy and Regulation.

# Other matters of interest

## Draft Local Audit Bill

**13** In 2011 the Government consulted on its proposals for a new local public audit framework. It published its response in January 2012.

**14** The draft Local Audit Bill was subsequently published in July 2012 for consultation and pre-legislative scrutiny.

**15** This draft Bill sets out:

- the proposed new audit framework for local public bodies;
- the process for the appointment of auditors; and
- and the regulatory framework for local public audit.

The consultation closed on 31 August 2012.

## 2012/13 National Fraud Initiative (NFI)

**16** The NFI Team sent a request for data to all participants' directors of finance in June 2012 and also announced the launch of the Audit Commission's 2012/13 web application.

**17** Participants are required to submit the required data sets, through the secure NFI web application, by 8 October 2012. This work is in progress.

## 2010/11 local government claims and returns

**18** The Audit Commission has recently published a report summarising the results of its certification work in 2010/11. Appointed auditors provided assurance to grant-paying bodies on 2,174 claims and returns for 2010/11, covering £51 billion of expenditure.

**19** The report shows that auditors agreed amendments to claims and returns totalling £47.6 million and issued 509 qualification letters. Across all schemes, 23 per cent of auditors' certificates were qualified.

**20** The housing and council tax benefit subsidy scheme continues to have high levels of amendments and qualification letters. Of the 2010/11 subsidy claims, 72 per cent were amended and 73 per cent had qualification letters.

**21** Auditors reported examples of authorities that had reduced the number of errors, the number of issues requiring attention and certification fees. They highlighted improved working papers, as well as the increased

supervision and review of claims and returns. We reported no major issues in our local report issued in January 2012.

**22** Given the issues that auditors continue to identify, all authorities should review their arrangements against the Audit Commission's guidance 'Claims and Returns: Good Practice for Authorities', which can be found on the Audit Commission's website.

## **Reducing the cost of adult social care assessments and reviews**

**23** On 23 August 2012 the Audit Commission published 'Reducing the cost of assessments and reviews', the third in a series of briefings looking at how councils and their partners can achieve better value for money in adult social care.

**24** The briefing focuses on social care assessments and reviews. It considers changes in councils' expenditure on assessments and reviews over time, and examines how some councils have managed to keep their costs low while continuing to meet vulnerable people's needs.

**25** The briefing highlights a number of ways in which councils can reduce the costs of assessment and review. They include:

- redesigning the 'care pathway' to provide information at an early stage to reduce the potential demand for formal assessments;
- reviewing pay rates to find savings, but without risking recruitment and retention
- reducing overheads by streamlining administrative support;
- matching staffing more closely to workload;
- reviewing the grade mix of staff carrying out assessments and reviews; and
- collaborating with other councils to reduce overheads and costs.

**26** The briefing includes a checklist to help councils identify the scope for reducing the costs of assessments and reviews. The Commission is also producing a benchmarking tool to accompany this briefing which will enable councils to compare their costs.

**27** This will be discussed with Adult Services colleagues for a review to be carried out as part of the 2012/13 internal audit plan

## **Localism Act – update on standards and conduct arrangements**

**28** On 28 June 2012, DCLG wrote to all principal authorities confirming that the new standards and conduct arrangements apply from 1 July 2012.

**29** The new arrangements, set out in the Localism Act 2011, require authorities to:

- develop a local code of conduct dealing with the conduct of members and co-opted members. DCLG has provided an illustrative example of a local code of conduct;
  - maintain and publish a register of interests; and
  - appoint an independent person to provide advice to the authority on any allegations it may be considering and to members who may be the subject of the allegation(s). In the letter, DCLG confirms the transitional arrangements for the appointment of the independent person.
- 30** DCLG has stated that it also intends to publish a guide to members' pecuniary interests.
- 31** The Council has updated its local arrangements.

## **Public sector internal audit standards**

**32** We have previously advised you about the collaboration of the Chartered Institute of Internal Auditors (IIA) and the Chartered Institute of Public Finance and Accountancy (CIPFA) on the development of public sector internal audit standards.

**33** A draft set of standards has now been produced and have been issued for consultation. These can be found on CIPFA's website. The consultation exercise was completed on 14 September 2012.

## Key considerations

**34** The Audit Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper.

**35** Has the Council established a timetable to enable the provision of the NFI data by the deadline of 8 October 2012?

- Has the Council reviewed its arrangements against the Audit Commission's guidance 'Claims and Returns: Good Practice for Authorities'?
- Has the Council used the checklist in the Audit Commission's briefing '*Reducing the cost of assessments and reviews*' to identify the potential for reducing costs?
- Has the Council used the Audit Commission's benchmarking tool to compare its expenditure on assessments and reviews?
- Has the Council introduced the new standards and conduct arrangements required by the Localism Act 2011?

## Contact details

**36** If you would like further information on any items in this briefing, please contact either your District Auditor / Engagement Lead or Audit Manager.

**37** Alternatively, all Audit Commission reports - and a wealth of other material - can be found at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).

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September 2012