

Progress report

November 2010

Stockton on Tees Borough 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

- 1** This briefing provides a summary to inform the Audit Committee of the progress on the audit to date.
- 2** This update also highlights key emerging national issues and developments that Members may find interesting.
- 3** If you require any additional information regarding the issues included in this briefing, please contact Catherine Andrew (Audit Manager) or Lynne Snowball (District Auditor).

2009/10 audit

- 4 We have completed our opinion and value for money work on the 2009/10 audit.
- 5 The annual audit letter is on the agenda for this meeting.
- 6 We are currently finishing our grant claims audit and will summarise and report the results to the February Audit Committee meeting.
- 7 The Audit Commission recently published two reports on the quality of the work of its appointed auditors in 2009/10.
 - The <http://www.audit-commission.gov.uk/sitecollectiondocuments/downloads/20101012AuditQualityReview.pdf> Quality Review Programme Annual Report 2010 (AC external website) summarises the Commission's quality review of the Audit Practice's work. It also looks at the work of firms appointed by the Commission to audit local government and NHS bodies.
 - The second is the [Audit Practice Annual Quality Report 2009/10](#) (AC external website). The report summarises the quality review of the Commission's own staff as auditors to local government and NHS bodies. It includes the views of the Audit Inspection Unit which carried out an independent review of the Commission's work.
- 8 These reports are of particular interest to Audit Committees as part of their ongoing role in ensuring the effectiveness of external audit arrangements.

2010/11 audit

Audit fees

9 The fee planning letter has been discussed with officers and the audit fee agreed with the Corporate Director of Resources. It was presented to the Audit Committee in May 2010.

10 In the next month we will be revisiting our risk assessments and drafting our opinion audit plans.

11 As in previous years, part of the risk assessments will involve asking those charged with governance and management about arrangements in place for:

- preventing and detecting fraud;
- ensuring the legality of transactions and identifying potential litigation;
- adopting the going concern principal for the accounts; and
- related party relationships and transactions.

12 We will write to the Audit Chair and the Corporate Director of Resources to confirm their understanding of the arrangements in place.

13 We plan to complete the interim systems planning work (walk through tests) by the end of December with the remaining systems testing to be completed by March 2011.

Value for money conclusion

14 The Audit Commission has reviewed the approach to the value for money conclusion and has confirmed two criteria to be assessed:

- the organisation has proper arrangements in place for securing financial resilience; and
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

15 We will consider whether there are robust financial systems and processes to effectively manage financial risks and opportunities and how resources are being prioritised within tighter budgets.

16 We will undertake risk based work to support our assessment of the arrangements in place where necessary. National tools are being prepared to support risk based work on the administration costs of revenues and benefits and efficiency of back office functions. In addition, update briefings for previous national studies are also being prepared on strategic asset management and maximising the benefits of local public service charges.

Other developments

Audit Commission national reports

17 On 8 September 2010, the Commission launched its report [Strategic Financial Management in Councils - Delivering Services with a Reduced Income](#). The report finds that organisations with a strategic approach to financial management are better able to plan and manage for the medium term, are more adaptable and resilient. The report is intended to stimulate debate and discussion about the financial mechanisms and culture of councils.

18 The findings in the report are supported by [a good-practice checklist](#) that describes the key issues for improving financial management. Councillors and managers can use the checklist to evaluate their current approach to financial management. There is also [a self-assessment questionnaire](#) based on the government's 2010 spending review framework questions for Whitehall departments.

19 16 September 2010 AC [a new finance improvement tool](#) to help councils respond to the financial impact of an ageing population. The tool is available on the [Improvement Network website](#) and aims to help councils:

- assess their approach to the financial challenges of an ageing population; and
- identify scope for improvement.

20 On 5 October 2010 the Commission published its latest briefing paper on IFRS in local government, [Progress on the transition to International Financial Reporting Standards \(IFRS\) in local government](#) on its website. This briefing paper is based on the findings from an auditor survey on implementation of IFRS in local government, undertaken in July 2010.

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22 On Friday 29 October 2010 the Commission published [Reporting on operating segments](#), the latest technical briefing paper in its series on implementing International Financial Reporting Standards (IFRS) in local government. This briefing paper is intended to help support authorities that are restating their accounts for 2009/10 or preparing skeleton accounts for 2010/11.

23 On 27 October 2010 the Commission will publish [Protecting the Public Purse - Fighting Fraud Against Local Government and Local Taxpayers](#). In this report the Commission describes what has happened in the field of fraud detection and prevention since 2009 and sets out the findings from its recent fraud survey. The report identifies more fraud risks and urges local councils and related bodies to focus on them.

24 The Audit Commission report published 28 October, [Financial Management of Personal Budgets](#), highlights how some councils will need to make a significant effort to achieve the milestones agreed by the Department of Health, Association of Directors of Adult Social Services and the Local Government Association in 2009.

25 The report examines personal budgets in adult social care and considers the financial management and governance implications for councils. It reviews the approaches to transition from providing services to providing personal budgets, the choices for allocating money, and how councils can plan for the financial implications. It also considers changes in social care commissioning and the governance arrangements needed for personal budgets.

26 On 28 October the Audit Commission published its report, [Financial Management of Personal Budgets](#). This report examines personal budgets in adult social care and considers the financial management and governance implications for councils. It reviews the approaches to transition from providing services to providing personal budgets, the choices for allocating money, and how councils can plan for the financial implications.

27 On 7 July 2010 the Commission published [Against the odds - re-engaging young people in education, employment or training](#). The Commission has also published [targeted briefings for practitioners](#). The Commission recently published [two new briefings for schools and colleges highlighting the roles these institutions can play in helping to stop young people becoming 'not in education, employment or training' \(NEET\)](#).

28 Both briefings include local case-studies and a set of self-assessment questions to assess and improve a school or college's performance in preventing young people becoming NEET. Since the launch of the Commission's report, the Department for Education has released the 2009 figures for the proportion of young people (16-18) who are NEET. The Commission has used the updated NEET figures to produce [maps](#) showing:

- the change in the proportion of young people (16-18) not in education, employment or training between 2006 and 2008; and

- the change in the proportion of unemployed young people (18-24) between 2006 and 2008.

Other publications

29 CIPFA published 'care closer to home' on 6 August. This publication, written for the NHS and local authorities, looks at:

- the main health and social care policy statements for providing care closer to home;
- the qualitative and financial benefits of providing care closer to home and integrated care between health and social services; and
- the important financial, clinical and patient engagement considerations when pursuing service change.

30 On 17 August CIPFA published 'understanding and managing the CRC energy efficiency scheme a public services perspective'. This publication builds on existing guidance and provides further information on the particular characteristics of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, as well as considering their potential impact on financial planning and management.

31 Published on the 18 August an NAO framework for managing staff costs in a period of spending reductions. This paper sets out a framework for effective management of staff costs in a challenging environment of cost reduction in public services. It builds on the high-level principles set out in [the NAO's 'short guide to structured cost reduction'](#).

32 Updated CIPFA guides to local government finances published in September.

- [A Comprehensive Guide to Local Government Finance - 2010 Edition](#); and
- [A Brief Guide to Local Government Finance - For Councillors - 2010 Edition](#).

33 On 10 September 2010 the National Audit Office (NAO) published [Department of Education - The Academies Programme](#). The report outlines that many academies are performing impressively in delivering the Academies Programme's intended improvements. Most academies are achieving greater rates of improvement in academic attainment than their predecessor schools.

34 [CIPFA publication](#) on [a Commissioning Joint Committee study of direct payments and personal budgets for community care](#). The Commissioning Joint Committee (CJC) has completed their study of the personalisation of community care, of which direct payments and personal budgets are the most demanding and fast-developing elements.

35 CIPFA and SOLACE have published a joint report '[Rebalancing the public finances - the end of the beginning](#)'. This report follows on from last year's 'After the Downturn' report. It assesses the coalition Government's first months of managing the spending cuts and explores the key risks in the coming months as spending cuts are felt across the country.

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Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946