

Audit Committee update

Stockton on Tees Borough 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) that now enables you to sign up to be notified of any new content that is relevant to your type of organisation.

Mark Kirkham

District Auditor

September 2012

Progress report

Financial statements

5 My work on the financial statements is complete and the results are reported in the annual governance report on the agenda for this meeting.

VFM conclusion

6 My work on the value for money conclusion is complete and the results are reported in the annual governance report on the agenda for this meeting.

Update on outsourcing the work of the Audit Practice

7 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.

8 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.

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

10 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, Mazars.

Update on the residual Audit Commission

Audit Commission senior appointments

11 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.

12 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.

13 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 was previously the Commission's Director of Audit Policy and Regulation.

Other matters of interest

Draft Local Audit Bill

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

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

16 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.

17 The consultation closed on 31 August 2012.

2012/13 National Fraud Initiative (NFI)

18 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.

19 Participants are required to submit the required data sets, through the secure NFI web application, by 8 October 2012.

2010/11 local government claims and returns

20 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.

21 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.

22 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.

23 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.

24 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.

Localism Act – update on standards and conduct arrangements

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

26 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.

27 DCLG has stated that it also intends to publish a guide to members' pecuniary interests.

Public sector internal audit standards

28 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.

29 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 ended on 14 September 2012.

Preparing for police and crime commissioners (PCCs)

30 During early summer 2012, Her Majesty's Inspectorate of Constabulary (HMIC) examined the transition plans of all police authorities. HMIC assessed how authorities were preparing for the introduction of PCCs. Auditors contributed to this assessment by attending challenge meetings.

31 HMIC made an interim assessment of whether:

- authorities are making prudent preparations for the transition to PCCs; and
- transition planning is having a detrimental effect on normal and ongoing authority work (ie on 'business as usual').

32 HMIC summarised the national findings in its report 'Preparing for Police and Crime Commissioners', which can also be found on the HMIC website.

33 This report concludes that all police authorities are continuing to discharge their statutory duties, while simultaneously preparing for the arrival of PCCs. All police authorities have transition plans in place, and are broadly making progress against them, although some plans were less forward-looking than others.

34 In September 2012, HMIC plans to review the budget development process for PCCs and proposals for governance, accountability and decision making models.

Key considerations

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

- 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 introduced the new standards and conduct arrangements required by the Localism Act 2011?
- Has the Council responded to the Government's consultation on the draft Local Audit Bill?
- Has the Council responded to the consultation on public sector internal audit standards?

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.

Mark Kirkham

District Auditor

m-kirkham@audit-commission.gov.uk

Catherine Andrew

Audit Manager

01642 528761

c-andrew@audit-commission.gov.uk

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



Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946