

Corporate Audit Committee update

Bath and North East Somerset 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 Corporate 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 Corporate Audit Committee.
- 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.

Wayne Rickard

District Auditor

14 September 2012

Progress report

5 The following table sets out a commentary against the key audit milestones for your 2011/12 audit.

Area of work	Date report is due	Comments
2011/12 audit		
Audit fees letters	April 2011	Discussed with the Corporate Audit Committee and agreed with the Director of Financial Services.
Audit plan	January 2012	Presented to the February meeting of the Corporate Audit Committee. Two plans are presented, one for the audit of the Council and one for the audit of Avon Pension Fund.
Interim Audit	April 2012 as required	Our interim audit of financial systems and arrangements is complete. There are no issues to report to you.
VFM conclusion	September 2012	Main findings are reported in the Annual Governance Report.
Annual Governance Report	September 2012	There are two annual governance reports, one for the Council and one covering the Avon Pension Fund. These are included on the agenda for the meeting on September 27th.
Auditor's report giving the opinion on the financial statements and the value for money conclusion	September 2012	There is a separate auditor's report giving the opinion on the Pension Fund accounts and a report giving the opinion on the Council's accounts.
Annual audit letter	October 2012	Overall summary of the audit.

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 commenced 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, Grant Thornton.

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 was previously 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.

16 The consultation closed on 31 August 2012.

2012/13 National Fraud Initiative (NFI)

17 The NFI is a data matching exercise, run by the audit commission, which is hosted on a secure website. It compares information held by around 1,300 organisations including councils, the police, hospitals and 77 private companies. This helps to identify potentially fraudulent claims, errors and overpayments. Since the initiative's start in 1996, the programme has helped detect £939 million of matches.

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.

Reducing the cost of adult social care assessments and reviews

25 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.

26 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.

27 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.

28 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.

Localism Act – update on standards and conduct arrangements

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

30 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.

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

Public sector internal audit standards

32 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA) announced a formal collaboration in May 2011.

33 This collaboration has recently led to the formation of the UK Internal Audit Standards Advisory Board, which will provide oversight and challenge to the development of UK-wide Public Sector Internal Audit Standards.

34 The new unified set of internal audit standards will be based on the mandatory elements of the IIA's International Professional Practices Framework and it is proposed that they will apply across the UK to central and local government and the NHS (excluding foundation trusts).

35 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.

Contact details

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

37 Alternatively, all Audit Commission reports - and a wealth of other material - can be found at www.audit-commission.gov.uk.

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