

Bath & North East Somerset Council

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| MEETING: | Corporate Audit Committee | |
| MEETING DATE: | 7th December 2010 | AGENDA ITEM NUMBER |
| TITLE: | Changes to VFM Opinion and Opinion Audit | EXECUTIVE FORWARD PLAN REFERENCE: E |
| AN OPEN PUBLIC ITEM | | |
| List of attachments to this report: | | |
| Appendix 1 – Opinion Audit – Changes | | |

1 THE ISSUE

- 1.1 During 2010 the new coalition government announced the end of the Comprehensive Area Assessment and its associated Use of Resources assessment. This framework was used by the External Auditor as the primary vehicle for assessing the Value for Money opinion of Local Authorities. A replacement process is therefore necessary and will be outlined in a presentation by the External Auditor.
- 1.2 Additionally as the Audit Committee is well aware, new International Financial Reporting Standards (IFRS's) are coming into full effect during 2010/11 and the attached appendix details the changes to the Opinion Audit in relation to the Annual Accounts.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to note the changes proposed in relation to the -
- a) VFM Opinion for Local Authorities
 - b) Opinion Audit in relation to the Annual Accounts

3 FINANCIAL IMPLICATIONS

- 3.1 The requirements of the new Auditing Standards have been implemented over a long period and the resulting financial impacts in terms of adequate resourcing and controls have been considered as part of the ongoing Finance Service restructure.

4 REPORT

4.1 Changes to VFM Opinion

4.2 A presentation will be given at Committee by the External Auditor with regard to the new process for arriving at a VFM opinion.

4.3 Previously this opinion had been derived from the Use of Resources Assessments which were part of the Comprehensive Area Assessment framework. However those processes have now been abolished by the new government and are to be replaced by a lighter touch regime focussed on reviews of how we secure financial resilience and the processes for prioritising resources in delivering economy, efficiency and effectiveness from services.

4.4 Changes to Opinion Audit

4.5 As with all guidance and frameworks, auditing standards are revised and updated, often in a piecemeal fashion. However, in 2009 the auditing profession completed a comprehensive project to improve the clarity of all the new International Standards on Auditing (ISA's).

4.6 One of the main objectives of this project was to promote greater consistency of application between auditors and this has resulted in a new clarified framework which will apply to the audit of our accounts for 2010/11.

4.7 Main changes will occur in the following areas –

- a) Journals
- b) Related Party Transactions
- c) Accounting Entries
- d) Reporting Deficiencies in internal Control

4.8 Appendix 1 details the full impact of these changes and the external auditor will provide a verbal briefing at the Committee.

5 RISK MANAGEMENT

5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance and there are no significant issues to report.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out and there are no significant issues to report.

7 CONSULTATION

7.1 Consultation has been carried out with the Section 151 Finance Officer and Cabinet Member for Resources.

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| Background papers | None |
| Please contact the report author if you need to access this report in an alternative format | |