

Audit Committee Update

November 2011

Nottingham City 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 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.
- 2 This update also seeks to highlight key emerging national issues and developments which may be of interest to members of the Committee.
- 3 At the end of this update are a number of questions which the Audit Committee may wish to consider in order to ensure that it has received sufficient assurance on the emerging issues.
- 4 If you require any additional information regarding the issues included within this briefing, please feel free to contact me or your Audit Manager using the contact details at the end of this update.
- 5 Finally, please remember that our website contains a section aimed exclusively at non executive directors. This contains all the key information and guidance relevant to your role in one easily accessible location.

Sue Sunderland

District Auditor

25 November 2011

Progress Report

Financial statements

6 I issued my audit report on the 30th September 2011 and gave an unqualified opinion on the Council's 2010/11 financial statements.

VFM Conclusion

7 I gave an unqualified VFM conclusion on the 30th September 2011 stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources for 2010/11.

Certificate

8 I have not yet issued audit certificates confirming completion of my 2009/10 and 2010/11 audits. As mentioned in my 2010/11 annual governance report (September 2011 meeting), I am not able to conclude these audits until I have completed specific work on matters previously brought to my attention by local electors.

9 My draft report on these matters has now been issued to senior officers of the Council for comment and discussion. Circulation of the draft report also included other individuals involved with the matters under review.

10 Once this report is finalised I will be able to certify completion of both the 2009/10 and 2010/11 audits. I will update members on progress at the November 2011 meeting.

Annual audit letter

11 I have drafted my annual audit letter for 2010/11. This draft has been discussed with your Deputy Chief Executive & Corporate Director for Resources when I met with her in early November 2011.

12 I intend reporting the letter at the next Audit Committee meeting following certification of completion of the 2010/11 audit.

Grant certification work

13 The following claims and returns for 2010/11 having either a September or an October deadline for audit were certified ahead of the specified deadline:

- housing capital receipts return;
- 'Surestart' return;
- housing finance base data return (for 2012/13);
- disabled facilities grant;
- NNDR return; and
- teachers' pension return.

- 14** Work is on-going as planned for those claims and returns having November or December 2011 deadlines:
- housing and council tax benefits return (November);
 - HRA subsidy return (December); and
 - school centred initial teacher training return (December).

Other work

15 Specific 'reasonable assurance' work is planned for December 2011 on the Council's financial return to the Homes and Communities Agency covering funding received for low carbon infrastructure work in the Nottingham Southside area.

16 As this source of funding is not included in the Audit Commission grant certification framework, it is being carried out as 'advice and assistance' work instead.

Financial Statements (2011/12 audit)

17 Looking ahead, key milestones for the 2011/12 audit are:

- detailed planning - Nov/Dec 2011
- opinion audit plan - Dec 2011
- systems audit - on-going (Dec 2011 to Mar 2012)
- accounts deadline - 30 Jun 2012
- statements audit - Jul/Aug 2012
- audit deadline - 30 Sep 2012.

18 Our detailed planning includes making formal enquiries of both management and the Audit Committee (as 'those charged with governance') about certain management processes and arrangements. Letters are to be sent in November to your Deputy Chief Executive & Corporate Director for Resources and Audit Committee Chair setting out my enquiries.

19 My audit team continues to meet regularly with the Council's finance and internal audit teams. Recent audit related topics discussed include:

- 2010/11 financial statements audit debrief;
- Council's proposed accounting treatment for cessation of existing NET and future NET concessions;
- Icelandic bank investments; and
- Council's progress in setting up shared HR and financial processing services (EMSS).

Other Matters of Interest

Update on the Audit Commission

20 On 21 September, the Audit Commission's Chief Executive wrote to all organisations to provide them with an update on the transfer the work of the in-house Audit Practice to the private sector. This transfer will be achieved by outsourcing the work through a procurement exercise.

21 The contract notice was published in the Official Journal of the European Union on 7 September and the timetable for this outsourcing process has now been published on the Audit Commission's website. The key milestones are as follows:

- 16 December 2011 - deadline for submission of tenders;
- week commencing 20 February 2012 - approval of contract awards by the Audit Commission Board;
- 23 April to 13 July 2012 - consultation with audited bodies on auditor appointments for 2012/13;
- 1 September 2012 - appointments for 2012/12 commence; and
- 31 October 2012 - Audit Practice staff transfer to firms awarded contracts.

22 Thirteen firms recently completed the pre-qualification stage of the procurement exercise and have been formally invited to tender for the work.

Final accounts workshops

23 As in previous years, the Audit Commission's Audit Practice will again be running a series of final accounts workshops for Local Government finance staff involved in preparing financial statements for 2011/12.

24 The workshops will be held in January and February 2012 and the aims of these events are to:

- help local government bodies achieve a smooth and trouble-free final accounts and audit process; and,
- provide consistent messages to all local government bodies about the important issues affecting the completion of the financial statements' audit.

25 The workshops will focus on three themes:

- changes to the financial reporting framework for 2011/12;
- specific accounting issues for 2011/12 relevant to local authorities;
- the audit implications of these changes and issues.

26 Audit Practice clients have access to two places at these events although we can accommodate additional staff for a nominal fee. We will send further information to Directors of Finance of all relevant local

government bodies although please feel free to contact Sue Sunderland, your District Auditor, if you need any further information.

2012/13 Work Programme and Audit Fees

27 On 5 September 2011 the Audit Commission began consulting on the proposed work programme and scales of fees for 2012/13.

28 The consultation was on a reduction of 10 per cent from the published 2011/12 scale fees for principal bodies. This continues the programme, begun before the announcement in August 2010 of the abolition of the Audit Commission, to deliver cost cuts of £70 million (30 per cent) over a three-year period.

29 There have not been any changes from 2011/12 in setting the proposed work programme for 2012/13 which will cover:

- financial statements audit;
- VFM conclusion (based on existing criteria specified by the Audit Commission in previous years);
- certification work; and
- mandated work on Whole of Government accounts (as previous years).

30 The consultation closed on Monday 24 October 2011. The final work programme and scales of fees for 2012/13 will be published in April 2012, following the completion of the exercise to outsource the work of the in-house Audit Practice.

For information: Fighting Fraud Together

31 In October 2011, thirty-seven organisations joined forces to launch 'Fighting Fraud Together', a new strategy that aims to reduce fraud - a crime estimated to cost the UK £38 billion every year.

32 The organisations involved include the Department for Communities and Local Government, NHS, the Charity Commission, HM Revenues and Customs and the Association of Chief Police Officers.

33 It is the first time that government, industry, voluntary groups and law enforcement agencies have joined together on such a large scale to sign a joint commitment to tackle fraud.

34 All thirty-seven partners that have signed up to the 'Fighting Fraud Together' strategy which will contribute to and be accountable for its success.

35 The strategy and its accompanying action plan place a strong emphasis on preventing fraud through greater fraud awareness and self protection, combined with stronger government and industry prevention systems and controls.

36 Examples of the new initiatives include:

- Preventing fraud: Industry and the public sector will develop their intelligence-sharing capabilities to prevent fraud attacks;

- Increasing awareness and reporting: A new research tool will help all sectors provide more targeted prevention advice to the public, particularly vulnerable people, and develop a better understanding of small businesses' vulnerability to fraud and the support they need; and
- A more effective enforcement response: Greater intelligence capabilities of the National Fraud Intelligence Bureau will disrupt fraudsters' activities and rapidly close down the channels through which they operate and launder money.

Key Considerations

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

- Will the Council be represented at the Audit Commission's 2012 financial statements workshops?

Contact Details

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

39 Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: www.audit-commission.gov.uk.

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