

External Audit

Progress

Report and

Briefing

Nottingham City Council

Audit 2010/11

November 2011

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

2009/10 audit

- 2009/10 audit is substantially complete.
- Opinion - unqualified opinion and VFM conclusion given on the Council's financial statements (28 September 2010).
- Opinion - certificate of audit closure not yet given due to specific work in progress related to a local government elector query.
- Opinion - audit of Council's Whole of Government accounts pack completed.
- Grant claims and returns - audit and certification of 2009/10 claims and returns progressing as planned.

2010/11 audit

- Audit planning - early work in progress.
- IFRS - early technical support being provided at request of Council looking at accounting proposals associated with IFRS transition.

Audit update

Purpose

- 1 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as the Council's external auditor.
- 2 This update also seeks to highlight key emerging national issues and developments which may be of interest to members of the Committee.
- 3 If you require any additional information regarding the issues included within this briefing, please feel free to contact your District Auditor or Audit Manager using the contact details at the end of this update.

2009/10 audit

- 4 My audit is complete other than for some investigative work that is in progress (see below).
- 5 The main findings from the audit are summarised in my annual audit letter. A draft version of this has been shared with the Council's Chief Executive and Deputy Chief Executive & Corporate Director for Resources for their comments. I intend to table the letter as a paper at the next meeting of the Audit Committee in December 2010.

Financial statements

Accounts audit

- 6 I issued my audit report on the 28th September 2010 and gave an unqualified opinion on the Council's 2009/10 financial statements.
- 7 Work on investigating matters raised by a local government elector is continuing. As reported at the September 2010 Audit Committee, I am unable to close the 2009/10 audit and issue a certificate of completion until these matters are resolved. I will update members on progress at the meeting in December 2010.

Whole of Government Accounts (WGA)

- 8 Part of my financial statements audit included specific work on WGA in line with the approach developed by the NAO. The purpose of this work is to check and report on the consistency and completeness of the Council's WGA consolidation pack in comparison with its audited statutory financial statements.
- 9 The Council submitted its consolidation pack for audit on 12th August 2010 (submission deadline 30th July 2010). I reported on my review of the Council's WGA return on 30th September 2010 (audit deadline 1st October 2010) in the form of an assurance statement specified by the NAO.

Audit update

Use of resources

VFM conclusion

- 10** I issued my audit report on the 28th September 2010 and gave an unqualified VFM conclusion.

Use of resources assessment

- 11** At the end of May 2010, the Audit Commission suspended work on CAA with immediate effect and the announced that it no longer issue scores for its use of resources assessments.
- 12** Substantial amounts of work had already been completed before the announcement and this work has been used to inform my 2009/10 VFM conclusion. Detailed findings from this initial assessment were shared through discussions with your Director of Strategic Finance following this work. A summary of these will form part of my annual audit letter for 2009/10.

Grant claims and returns

- 13** Table 1 below sets out progress made with my audit of your 2009/10 grant claims and returns. All returns and claims with certification deadlines up to 30 October 2010 have been certified ahead of due dates for audit.

Table 1 Grant claims and returns

Claim/return	Audit due date	Certification date	Amended?	Qualification letter?
National non-domestic rates return (NNDR 03)	24 Sep 2010	20 Sep 2010	No	No
Pooling of housing capital receipts (CFB 06)	30 Sep 2010	29 Sep 2010	Yes	No
HRA subsidy base data return (HOU 02)	10 Oct 2010	7 Oct 2010	Yes	Yes
Disabled facilities grant (HOU 21)	29 Oct 2010	27 Oct 2010	Yes	Yes
Surestart, early years & childcare grant (EYC 02)	29 Oct 2010	28 Oct 2010	No	Yes
Housing benefits return (HOU 01)	30 Nov 2010			
Teachers' pension return (PEN 05)	30 Nov 2010			
HRA subsidy (HOU 01)	31 Dec 2010			
New deal for communities (RG 03)	31 Dec 2010			
School centred initial	31 Dec 2010			

Claim/return	Audit due date	Certification date	Amended?	Qualification letter?
teacher training (EDU 06)				

- 14** All uncertified claims and returns are expected to be certified on or ahead of the certification date.
- 15** Delays in response to requests for information affected the audit and certification of the Surestart, early years & childcare grant (EYC 02) claim resulting in a qualification letter. We have reported this matter by letter to the relevant manager so that the Council is aware of the matter and can take steps to improve in future.
- 16** Work is in progress on most of the remaining claims and returns. A significant amount of testing has already been undertaken on the Housing Benefits return (HOU 01) given that this is a substantial return.

2010/11 audit

Planning and reporting

- 17** Overall progress is set out in Table 2 below.

Table 2 Planning and reporting

Area of work	Plan date	Start date	Finish date	Progress to date	Comments/reported to Audit Committee
Audit plan	Mar 2010	Mar 2010	May 2010	Completed.	Indicative fee letter agreed. Audit Committee - 28 May 2010

Financial statements

- 18** Early planning work ahead of our pre-statements (interim) audit work has started this month.

Specific risks

- 19** The indicative fee letter for 2010/11 identified a number of specific risks and set out the work I plan to carry out to address these risks. Table 3 summarises progress made with this work.

Table 3 Specific risks

Area of work	Plan date	Start date	Finish date	Progress to date	Comments/reported to Audit Committee
IFRS	Nov 2010	Nov 2010		Technical support	Early specialist technical support provided at request of officers looking at proposed accounting treatments under IFRS.

Audit update

Area of work	Plan date	Start date	Finish date	Progress to date	Comments/reported to Audit Committee
					Council aims to restate its 1 April 2009 balance sheet and 2009/10 comparative figures by end of December 2010. Audit review of restated figures proposed for January / February 2011.
NET phase 2				Not yet started.	Review of Council's proposed accounting treatment of the NET phase 2 scheme.
Financial pressures and reserves	Oct 2010	Oct 2010		Ongoing.	Review of medium-term financial plan and Q1 monitoring reports (revenue and capital) undertaken in November 2010.

Other areas of work

Bridge Estate

- 20 Planning work on the unaudited 2009/10 financial statements was completed in October 2010. The opinion plan for our audit work has been completed setting out the scope of our audit.
- 21 I ask that members of the Audit Committee, being Trustees of the Bridge Estate, adopt the unaudited 2009/10 financial statements and annual report of the Charity and consider the opinion plan for the 2009/10 audit.

Other matters of interest

Recent Audit Commission reports

22 This section aims to give the Committee an update on Audit Commission reports that may be of interest. More information and the full reports are available from the Audit Commission's website (www.audit-commission.gov.uk).

Financial management of personal budgets - October 2010

- 23** This report examines personal budgets in adult social care and considers the financial management and governance implications for councils.
- 24** 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.
- 25** It also considers changes in social care commissioning and the governance arrangements needed for personal budgets.
- 26** It is aimed at finance staff and staff in adult social care departments interested in personal budgets. The report includes a self-assessment checklist to help councils review progress in implementing personal budgets and identify areas for improvement.

Protecting the public purse 2010 - October 2010

- 27** This report provides an update on fraud prevention and detection matters and summarises the findings from the recent Audit Commission national fraud survey. It identifies a number of current fraud risks that are relevant to Councils.
- 28** It describes actions taken by some councils to tackle fraud. It also provides links to tools for helping councils improve their counter-fraud defences. Also included is a checklist for assessing how effective organisations are at responding to the risk of fraud.
- 29** Associated with this report is a single person discount tool that allows local authorities to compare their levels of council tax single person discount with their predicted levels, based on a national average.

IFRS: reporting on operating segments - October 2010

30 This is the latest in a series of briefings related to the introduction of IFRS in local government. The paper covers principles and practical issues that authorities should consider when reporting on operating segments.

Other matters of interest

- 31** The purpose of the briefing is to help local authorities and their finance teams to undertake preparatory work for the transition to IFRS, including work on the restatement of prior year accounts and skeleton accounts for 2010/11.

Key considerations

- 32** There are no considerations or questions in respect of the issues highlighted in this briefing paper that I wish to bring to the attention of the Audit Committee.

Sue Sunderland

District Auditor

26 November 2010

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The Audit Commission

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, covering the £180 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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