

Audit Progress Report

March 2010

Brighton and Hove City Council

Audit 2009/10

Date

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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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Introduction

- 1 Our responsibilities are governed by the Audit Commission Code of Audit Practice for Local Government bodies. It determines the nature, level and scope of the work carried out by appointed auditors and underpins all our activities. A revised 2010 code is currently before parliament. When this is available it will be presented to the Audit Committee to provide information and guidance to members of the committee.
- 2 Under the Code we are required to audit the financial statements and to give our opinion on:
 - whether they give a true and fair view of the financial position of the Council and of its income and expenditure for the year in question; and
 - whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.
- 3 We are also required to review whether the Annual Governance Statement (AGS) has been presented in accordance with relevant requirements (the Local Government framework developed by CIPFA in conjunction with the Society of Local Authority Chief Executives (SOLACE): the CIPFA/SOLACE framework).
- 4 The Code also requires us to issue a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources. The Audit Commission has developed criteria for auditors to apply in reaching the value for money conclusion which are closely aligned to the Use of Resources framework.
- 5 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.

2009/10 Audit

- 6 A letter setting out the audit fee for 2009/10 was sent to the Council's Chief Executive in April 2009 and was submitted to this committee in May 2009. The letter set out the main risk areas and the work which was proposed to mitigate each one.
- 7 A more detailed report setting out the arrangements relating to the audit of the financial statements will be submitted to the June meeting of this committee. The timing of this report has been scheduled so that results of work on testing internal financial controls can be included. We are liaising with the Council's Internal Audit department over the testing and are relying on work carried out by them where possible to maximise efficiency.
- 8 See Appendix 1 for an update on the risks included in the fee letter and the work being undertaken.

2010/11 Audit Fee

- 9 We presented our 2010/11 audit fee letter to the March 30 meeting of the Committee. As part of this we explained that the 2009/10 to 2010/11 increase in fee for the financial statements element of the audit reflects the costs of additional work arising from the introduction of international financial reporting standards. The Audit Commission Chief Executive wrote to all councils in February 2009 to announce measures to rebate part of the cost of the increase. The level of rebate has now been announced and can be found on the Audit Commission website at <http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/Pages/ifrslocalauthorities.aspx>.
- 10 The rebate for the Council is £23,240. The total fee for the 2010/11 audit less the rebate is £1,635 lower than the total audit fee charged for 2009/10.

Use of Resources Assessment

- 11 This is the second year of the new Use of Resources assessment. We have completed our initial work and have arrived at indicative findings and scores which have been submitted to our electronic data collection system. We have provided feedback to officers on the findings of the work we have undertaken to date.
- 12 Moderation of scores will then take place before final scores are confirmed, these will be officially published after the end of July. We will report detailed findings and scores to the Committee at that stage.

Data Quality

- 13 As part of the Use of Resources assessment we review the Council's arrangements for producing relevant and reliable data and information to support decision making and manage performance. We undertake spot checks on a number of performance indicators, particularly where the information is used to judge the delivery of strategic objectives.
- 14 We have reviewed the management arrangements and system used to collect and process data in accordance with the performance indicator definition. We have also test checked the derivation of the data and the calculation of the figure reported.
- 15 For 2009/10 we have reviewed the following indicators:
 - NI 179 - Value for Money (The total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year)
 - NI 158 - Decent Council Homes (The number of non decent council homes and the proportion this represents of the total council housing stock.)
 - NI 130 - Social Care Clients receiving Self Directed Support (The number of adults, older people and carers receiving self-directed support in the year to 31st March as a percentage of clients receiving community based services and carers receiving carer's specific services aged 18 or over.)
 - BV 72 and BV 73 - Housing repairs performance (The percentage of urgent local repairs completed within the prescribed time limit and the average time taken to complete non urgent responsive repairs).

Introduction

- 16 Our work in this area is now complete. We found that all of the indicators tested were calculated correctly. This represents an improvement from the previous period where we detected and reported errors in the calculation of NI 158.

International Financial Reporting Standards

- 17 In 2010/11 the Council will need to prepare its accounts using International Financial Reporting Standards (IFRS). Accounts for 2009/10 will be prepared and audited using UK GAAP (Generally Accepted Accounting Standards) as specified in the 2009 Statement of Recommended Practice (SoRP). However they will need to be re-stated under IFRS to act as comparative figures in the 2010/11 financial statements.
- 18 There are no regulations governing this transitional period, beyond the need to have the comparative figures to the 2010/11 financial statements prepared and audited with the accounts for the year. However there is an indicative timetable for the adoption of IFRS which recommends that councils should follow a number of steps as laid out in the table below:

Table 1 **Indicative timetable**

Stage	Key milestone	Recommended date
1	Restate 1 April 2009 balance sheet to IFRS	by 31/12/2009
2	Discuss audit 'sign off' of restated balance sheet	by 31/12/2009
3	Restate 2009/2010 accounts to IFRS	by 31/12/2010
4	Discuss audit of restated 2009/2010 accounts	by 31/12/2010
5	Produce 2010/2011 accounts on IFRS basis	by 30/06/2011

- 19 The Council has set up a Project Board to consider its accounting policies and the changes that will be needed under IFRS. There are a number of key areas where a different accounting treatment will be required. Officers have produced a number of proposal papers and we have had some discussions to ensure the approach is in line with our understanding.
- 20 Officers have not yet reached the stage of a full re-statement of the opening balance sheet. This is not out of line with other authorities. The Audit Commission published a briefing paper "Countdown to IFRS - Implementation in Local Government" in February 2010 which we have included on the agenda of this meeting for your information. The paper includes information on the role of audit committees in the process.

Comprehensive Area Assessment

- 21 The first Comprehensive Area Assessment (CAA) results were published at the end of 2009 and the website has generated significant interest. The website name is – [Oneplace](#).
- 22 Not only does the website help answer the simple question 'how well am I being served by local public services?', but there are detailed performance indicators which will be routinely updated. The indicators are easily found on the Oneplace website link above.
- 23 The area assessment for the city is published on Oneplace. It is an assessment by six independent inspectorates and tells the public how well local public services are performing in the city and where they could improve. This work is led for the Audit Commission by the CAA Lead, Sandra Prail, and focuses on delivery of the local strategic partnership priorities set out in 'creating a city of opportunities'.
- 24 The organisational assessment for the city council can also be found on Oneplace. This assessment combines the use of resources work described above with an assessment of how well the council delivers services and whether it has the leadership and capacity to continue to improve (known as managing performance). The organisational assessment combines use of resources and managing performance to provide an overall organisational assessment score.
- 25 The timetable for CAA 2010 has now been agreed. Opportunities to update the area assessment on Oneplace will be in late June and December. The organisational assessment will be published in December. The CAA Lead is in dialogue with the local strategic partnership about the follow up areas for the 2010 area assessment.
- 26 We connect our audit work with CAA. We implement COUNT (collect once use numerous times) to prevent duplication. Audit colleagues work closely with the CAA Lead to ensure evidence from the work set out in this report is taken into account where appropriate in the organisational and area assessments.

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, 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.

Copies of this report

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk

Appendix 1 – 2009/10 Audit Risk Areas

Risk Area Identified	Planned Work	Progress to date	Outcome
<p>The Council is to let a long- term contract for capital works and the repairs and maintenance of its housing stock in early 2009/10. Significant savings are expected through this approach. In order to achieve these, the contract must be soundly based and contract management arrangements effective.</p>	<p>We will review the contract arrangements to establish the reasonableness of the savings proposed, how the savings expected are reflected in the longer- term financial plans for the housing revenue account and the effectiveness of the proposed management of the contracts.</p>	<p>Work is underway and is expected to be completed by the end of June. A project specification and detailed work methodology has been agreed and we are currently awaiting documentary evidence and a self-assessment from the Council. The fieldwork for the Housing Repairs and Maintenance contract will also be used to inform our Area Assessment work. This work involves an assessment of the prospects for delivering Decent Homes Standards compliance in the condition of housing stock by the Council's target date of 2013. The work will also monitor progress in establishing the housing local delivery vehicle</p>	<p>The final report is due to be presented to the September 2010 meeting of the Committee.</p>

Appendix 1 – 2009/10 Audit Risk Areas

Risk Area Identified	Planned Work	Progress to date (see below).	Outcome
<p>The Council's proposed creation of a housing local delivery vehicle that will manage about 500 of its housing properties as a means of improving their condition is innovative. However, it requires appropriate arrangements to be established to safeguard the Council's assets and to ensure the company achieves the improvements required.</p>	<p>We will review the Council's arrangements at key stages and comment as necessary.</p>	<p>The Council has recently approved the adoption of the general consents route to lease up to 499 empty properties over 5 years to the local delivery vehicle over five years. We will continue to monitor developments and any consequential impacts on our Code responsibilities.</p>	<p>A watching brief will continue to be maintained.</p>
<p>The economic climate has impacted on the finances of local authorities including increased demand for some services; reduction in income from charges (such as car parking) raised and increased level of debtors. This places the Council's financial health at risk.</p>	<p>We will monitor the Council's financial performance to see how well it is managing the impact of the current economic climate and assess the impact of its overall financial health.</p>	<p>The effect of the recession in Brighton & Hove, and the consequential impact on the activities of the Council has been considered along with the experiences of other councils, have been considered for inclusion in an Audit Commission national report. Local work to assess the impact of the recession on the Council's financial performance has been undertaken and will be</p>	<p>The findings of local work in this area will be taken into account in the Use of Resources assessment.</p>

Appendix 1 – 2009/10 Audit Risk Areas

Risk Area Identified	Planned Work	Progress to date	Outcome
<p>The waste management PFI (in partnership with a neighbouring local authority) is a high profile arrangement and the operation of effective management of the contract with the service provider is essential. Failure to operate effective contract management could be costly to the Council.</p>	<p>We will undertake a high level overview of the Council's approach in order to ensure the arrangements in place ensure that the Council achieves value for money. This builds on our work at previous audits.</p>	<p>We have attended meetings with officers from the Council and from East Sussex County Council (the neighbouring local authority) to discuss arrangements. We are also taking advice from PFI technical specialists from our central technical unit.</p>	<p>We will continue to discuss issues with officers. This will include accounting arrangements as the introduction of new standards in 2009/10 will affect the valuation and accounting entries.</p>
<p>Participation in the Building Schools for the Future (BSF) programme is technically demanding and requires effective project management at all stages from the application phase to completion. The Council will invest a significant amount of money in reaching the application phase and there is a risk that application might not be accepted.</p>	<p>We will undertake a high level overview of the Council's approach in order to ensure the arrangements in place ensure the Council achieves value for money.</p>	<p>We have held a meeting with the BSF project officer and have received further documentation which we are currently evaluating. This includes examples of BSF project and performance management reports and the latest progress update for the Children & Young People Board.</p>	<p>A watching brief will continue to be maintained.</p>

