

Progress report and briefing

December 2011

Brighton & Hove City Council

Audit 2011/12

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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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Audit progress

Introduction

1 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering my responsibilities as the Council's external auditor.

2 If you require any more information about the issues included within this briefing, please feel free to contact me as your District Auditor or a member of the local audit team. Contact details are set out at the end of this update.

2010/11 audit

3 My work on the 2010/11 audit is now complete. I formally concluded the audit and issued the audit certificate on 28 September 2011.

2011/12 audit

Financial Statements

4 The proposed timing for my audit work is set out in table 1.

Table 1: **Audit time line**

Work Flow	Date of completion	Reports / Progress
Documentation and walkthrough of key financial systems	January 2012	Work to document and walkthrough your key financial systems has started during December 2011.
Audit Commission controls testing. Review of Internal Audit controls testing.	April 2012	I have liaised with Internal Audit to plan my detailed testing of controls in your key financial systems. Wherever possible I will seek to rely on the work of Internal Audit to minimise any duplication of effort. I will draw control weaknesses to your attention in my 2011/12 audit opinion plan which I aim to present to the April 2012 meeting of the

Work Flow	Date of completion	Reports / Progress
		<p>Audit Committee. Recommendations for the improvement of internal control will be made in my 2011/12 annual governance report.</p>
<p>Post statement audit and financial statements opinion.</p>	<p>By 30 September 2012</p>	<p>As in 2010/11, I intend to deliver my work in a shorter period of time using a larger audit team. It is my intention that the majority of my post-statement work will be delivered during July 2012. This approach in general worked well last year and has benefits both for officers and my team.</p> <p>The one main area of delay in delivering my post-statement audit last year was caused by difficulties in testing detailed transactions produced by your payroll system. My team therefore plans to work with your officers undertake this work early in the audit cycle and before you have produced your 2011/12 financial statements.</p> <p>The results of my work on the 2011/12 financial statements will be reported in my annual governance report which I will present to the September 2012 Audit Committee meeting.</p>
<p>VFM work.</p>	<p>By 30 September 2012</p>	<p>I will report the results of my detailed work to inform the 2011/12 VFM conclusion in my 2011/12 annual governance report. The statutory deadline for the 2010/11 VFM conclusion is 30 September 2012. My aim is to</p>

Work Flow	Date of completion	Reports / Progress
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complete this work ahead of that deadline and present key findings and recommendations to management and the Audit Committee.

VFM conclusion

5 I assess whether the Council has put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

6 From 2010/11, the Commission introduced new requirements for VFM audit work at local authorities. Auditors give their statutory VFM conclusion based on the following two criteria specified by the Commission:

Table 2: **Specified criteria for the auditor's VFM conclusion:**

Criteria 1	Criteria 2
The organisation has proper arrangements in place for securing financial resilience.	The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus of criteria for 2011/12:

The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.
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7 I am discussing with officers the precise nature of my work to support my VFM conclusion in 2011/12.

Outsourcing of audit work

8 You are aware that the Commission is outsourcing the work done by its in-house audit practice. 13 accountancy firms have been accepted as bidders for the work. The deadline for bids to be submitted is 16 December 2011. Contract awards will be decided by the Commission's board in late

February 2012. I will inform you of the winning bidder for the contract containing the Council's audit as soon as I am able to do so.

2012/13 work programme and audit fees

9 Consultation on the proposed work programme and audit fees started on 5 September 2011 and ended on 24 October 2011. In line with the Commission's aim to reduce its costs by £70 million (30 per cent) over a three-year period, the 2011/12 scale fees will be reduced by 10 per cent for principal bodies. Publication of the final programme and fees will be in April 2012.

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Audit Commission publications

In this section I summarise recent Audit Commission publications and tools. If you require more information please contact the local audit team.

Protecting the public purse 2011: fighting fraud against local government

This report [<http://www.audit-commission.gov.uk/fraud/protecting-the-public-purse/Pages/ppp2011.aspx>] uses the Audit Commission's 2011 national survey of local authorities and compares the findings to 2010. The Commission reported that English councils succeeded in detecting £185 million worth of fraud, an increase of 37 per cent on last year's figure of £135 million.

There were about 59,000 housing benefit and council tax benefit fraud cases, resulting in a £110 million loss to the public purse. These fraud cases represent more than half the total value of frauds detected in 2010/11. In 2009/10 there were 63,000 cases with losses of £99 million. In 2009/10 about 56,000 council tax discount frauds costing £22 million were found, which compared to 48,000 frauds costing £15 million in 2009/10.

Tenancy fraud identification led to repossession of 1,800 council homes. To build this number of homes has an estimated cost of £250 million.

You are looking into potential fraud identified through data matches from the Commission's National Fraud Initiative and Internal Audit is making reasonable progress in following up data matches identified. I will continue to monitor Internal Audit's progress in this area.

The report includes a checklist on counter-fraud and corruption and encourages audit committees to use it.

Tough times: councils' responses to a challenging financial climate

This report [<http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/toughtimes.aspx>] uses a survey of English councils and shows that while most councils are managing well in the face of unprecedented decreases to their income, services have been affected and a few councils may struggle to balance their books.

You have considered the impact of Coalition Government's grant settlement for 2011/12 and beyond in your financial plans and have positioned yourself well to ensure that you remain financially resilient. In 2010/11 you responded quickly to in-year grant reductions and other funding decreases resulting from the comprehensive spending review (CSR). However, you will

continue to face financial challenges and risks through the CSR period and will need to maintain your focus on financial management.,

The Commission has recommended that councils use its value for money profiles to see how each council compares with the national picture set out in the report, identify other councils facing similar challenges, and learn from others' approaches.

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Contacts

The key members of the audit team for the 2011/12 are set out below.

Table 3: **Audit team contacts**

Role	Name	Contact Details
District Auditor	Helen Thompson	Tel: 0844 798 1790 e-mail: helen-thompson@audit-commission.gov.uk
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