

Audit Committee update

Central Bedfordshire

Audit 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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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. It includes an update on the externalisation of the Audit Practice.
- 2** This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Audit Committee. The paper concludes by asking a number of questions which the Committee may wish to consider in order to assess whether it has received sufficient assurance on emerging issues.
- 3** 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.
- 4** Finally, please also remember to visit our website (www.audit-commission.gov.uk) which now enables you to sign-up to be notified of any new content that is relevant to your type of organisation.

Paul King

District Auditor

June 2012

Progress report

Financial statements, Value for money conclusion and

5 I have issued my Pre Statements Memorandum, setting out the key messages from my interim audit visit, the report includes the findings from my work on:

- the Council's key financial systems
- the value for money (VFM) conclusion and
- the arrangements in place for recording and monitoring Section 106 receipts and expenditure

6 I am presenting the Pre Statements Memorandum to the June 2012 Audit Committee together with this Audit Committee Update. Therefore I will go in to any further detail on these pieces of work in this document.

7 My team will be starting work on the Council's Statements of Accounts shortly. The team has been able to start some of the work early as your officers have provided us with draft notes to the accounts as they have been completed. The substantive testing of the payroll system will also be carried out in June.

Other areas of work

Grants certification

8 As I reported to you in my last progress report the Housing Benefits and Council Tax benefits return was certified by the 30 November 2011 deadline. While there were improvements in the process to ensure that the claim was signed off on a timely basis there were still a large number of errors found and reported in the Qualification Letter. I expect the DWP to ask both the Council and I to carry out additional work in respect of some of the issues raised so that they can quantify the error or to claw back the benefit paid.

Other matters of interest

2012/13 audit fees

9 Following a consultation exercise, the Audit Commission has agreed the work programme and fee scales for 2012/13 audits of health and local government bodies. It sent out letters notifying organisations of the new fees on Wednesday 11 April.

10 The scale fee published by the Commission for the 2012/13 audit for Central Bedfordshire is £184,885. The Commission has also published indicative fees for the certification of grant claims and returns. This indicative fee is based on the latest actual certification fees for 2010/11, it incorporates a 40 per cent reduction as well as the fact that a number of grant schemes will no longer require auditor certification. The indicative fee for Central Bedfordshire claims work in 2012/13 is £45,350.

Annual fraud and corruption survey 2011/12

11 On 2 April 2012 the Audit Commission issued its annual survey to collect information regarding all detected fraud and corruption for the 2011/12 financial year.

12 The electronic survey was open for audited bodies to complete and submit between 2 April 2012 and 11 May 2012. The Council completed this return by the due date.

National Fraud Initiative consultation

13 The Audit Commission has published its work programme and scales of fees for the 2012/13 National Fraud Initiative (NFI).

14 The NFI, which takes place biannually, has helped trace over £650 million in fraud, error and overpayments since it began in 1996 and has attracted international recognition.

15 The work programme will remain unchanged from NFI 2010/11 and, in recognition of the financial pressures that public bodies are facing, the scale of fees for mandatory participants will remain the same as for NFI 2010/11. For Central Bedfordshire Council this is £3,650.

Local government capital finance system

16 In late 2011 the Department for Communities and Local Government (DCLG) issued a consultation document on proposed changes to the Local Government capital finance system.

17 A summary of the consultation responses was published on 8 February 2012 and the Regulations came into force on 31 March and 1 April 2012.

18 DCLG's commentary confirms the intended effects of the amended Regulations are:

- to bring securitisation (the exchange of future revenues for an immediate lump sum payment) within the capital finance framework;
- to relax the rules on bond investments; and
- to clarify the definition of capital expenditure.

19 DCLG has also published an updated edition of Capital Finance: Guidance on Minimum Revenue Provision. The amendments to the statutory guidance relate to Housing Revenue Account (HRA) reform only and impact from 2012/13. The changes to the guidance are to ensure that authorities taking on new debt do not face any inappropriate increase in their minimum revenue provision liability.

Openness and accountability in local pay

20 On 17 February 2012 DCLG published guidance which sets out the key policy principles that underpin the pay accountability provisions in the Localism Act.

21 For each financial year, beginning with 2012/13, the Council will be required to prepare a pay policy statement that must articulate its policies on the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees.

22 The statement must be:

- approved by full Council, or a meeting of members in the case of a Fire and Rescue Authority; and
- published on its website.

Accounting for HRA Self Financing

23 In March 2012 CIPFA produced guidance on the required accounting entries for councils making or receiving settlement payments to or from the Secretary of State in preparation for the commencement of self-financing of the Housing Revenue Account (HRA) from 1 April 2012. These transactions take place in the 2011/12 financial year and will therefore be reflected in the Council's financial statements for the year ended 31 March 2012.

Key considerations

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

- Has the Council considered the implications of the amendments to the capital financing regulations?
- Has the Council considered the guidance from CIPFA regarding the settlement payment to the Secretary of State in preparation for the commencement of self-financing of the HRA?

Response to key considerations from April Audit Committee Update

The following update has been provided by the Head of Internal
Audit and Risk

Key Consideration	Response
<p>Has the Council reviewed its 2010/11 accounts and identified ways in which these could be streamlined or clarified?</p>	<p>The Financial Controller reviews the draft 2011/12 accounts weekly during the closedown process in May and recognises the need for the accounts to be clear and understandable. To this end outlines explaining all major statements are provided as well as a glossary of accounting terms to help user-friendliness. All statements and notes within the accounts are statutory requirements so cannot be excluded but senior finance officers always aim to make statements and notes as understandable as possible. Further reviews are ongoing.</p>
<p>Has the Council reviewed the Audit Commission / Local Government Association joint report on managing workforce costs and is the Audit Committee satisfied that appropriate use has been made of the supporting materials?</p>	<p>The Council has reviewed the Report and in the past 2+ years has implemented a number of the suggested actions including:- restructuring and reduction of senior management posts by 24%, restructured many services reducing posts, renegotiation of agency costs via CMS and implemented stricter control of use of consultants. The Council also implemented a review of terms and conditions of employment for all employees including a 2% cut to pay for all above a full time equivalent salary of £21,519 pa and changes to car allowances to reduce costs significantly.</p> <p>Managing the costs of staffing continues to be a focus as the Council commences implementing the Workforce Plan – a Strategic Framework.</p> <p>Improved data regarding all staff related</p>

	costs will be more readily available to managers as the Council delivers the SAP Optimisation project and ESS/MSS (Employee Self Service/Manager Self Service).
Has the Council circulated the briefing for elected members on the Audit Commission's workforce report to Members? Is the Audit Committee satisfied that the questions within the briefing have been properly considered by the Council?	This will be circulated to members via the Members Bulletin
Has the Council reviewed the questions included in the Audit Commission's briefing paper on joining up health and social care?	The Council is aware of the report and benchmarking tool and is currently considering the potential for its application within the authority.
Has the Council used the Audit Commission's tool to benchmark the performance of its NHS and social care partnership?	See above.
Has the Council reviewed its prudential indicators in the light of CIPFA's revised prudential code?	The Council has revised and updated the prudential indicators in the light of CIPFA's revised prudential code.
Has the Council reviewed CIPFA's guidance notes for the 2011/12 financial statements and made satisfactory arrangements for their implementation?	The Council is aware of the guidance notes and is utilising them as appropriate.
Has the Council reviewed CIPFA's guidance on HRA self-financing and made satisfactory progress for its implementation?	The Council is aware of the guidance notes and considered the issues involved within the "Budget Report for the Landlord Services Business Plan under the self financing regime", which went to Executive on 14 th February 2012.

Contact details

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

26 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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