

# Progress report

March 2011

Shropshire 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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# Audit Progress Report

## 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. This update also seeks to highlight key emerging national issues and developments which may be of interest to members of the Committee.
- 2 If you require any additional information regarding the issues included within this briefing, please feel free to contact me using the contact details at the end of this update.

## Audit coverage

### Grant Claim and Certification work in 2009/10

- 3 I have completed my grant claim and certification work for the 2009/10 financial year. I have prepared a report on this work which has been agreed with the Finance Manger. The report is provided to Members as a separate document for discussion at the Audit Committee meeting on 23 March 2011.

### 2010/11 audit

- 4 The 2010/11 audit is in the early stages of my planned work. I have:
  - updated my planning for the year and have not identified any additional risks which would impact upon the audit fee;
  - completed my review of the Information Technology (IT) environment as part of my planning update. I have concluded that the arrangements indicate that there is a low risk of a material misstatement arising within the financial statements based upon the overarching IT environment. However, my work did identify some areas where controls could be strengthened including periodic testing of disaster recovery arrangements ;
  - commenced walkthrough testing of the operation of the key controls within several of the Council's significant financial systems (including those relating to the Pension Fund);
  - commenced my review of the restatement of the Council's financial statements arising from the transition to International Financial Reporting Standards (IFRS);
  - held regular meetings with the Interim Head of Finance, Head of Audit and the Finance Manager to discuss audit issues and on going developments at the Council; and
  - have completed my planning for the audit work in respect of the Value for Money (VFM) conclusion.

## Other Matters of Interest

**5** Below are recent reports and announcements which may be of interest to all members:

### **Audit fees 2011/12**

**6** The Audit Commission is again cutting audit fee scales for health and local government and community safety organisations next year. Scale audit fees for bodies will be between 5 and 20 per cent lower in 2011/12 than in 2010/11.

**7** On 13 August 2010, the government announced its plan to abolish the Commission. So the scale fees for 2011/12 could be last the Commission sets. The Commission has agreed, subject to affordability, to make additional rebates in 2011/12. This means all audited bodies will see a significant net reduction in fees compared to 2010/11. Audited bodies will be notified of the amount due to them in the summer.

**8** Subject to the timetable for the abolition, the Audit Commission are also committed to delivering further significant fee reductions of up to 15 per cent in 2012/13.

**9** The Audit Commission has consulted on its work programme and scales of fees for 2011/12. The documents are available on the Commission's website, including a report summarising the feedback received to the consultation and the response to the key issues raised by respondents.

### **Financial Reporting**

**10** Audited accounts are the main way public bodies show accountability for managing public money. Publishing timely audited accounts is a fundamental feature of good governance. In December 2010 the Audit Commission published a summary of the quality and timeliness of financial reporting by councils, police authorities, fire and rescue authorities and local government bodies.

**11** The report congratulated seven councils, one police authority, three local government bodies and one fire and rescue authority for early publication. There is great interest in financial transparency by public bodies at the moment and we believe that early publication of audited accounts is an important contribution to openness and accountability. The Commission reported that auditors were unable to give opinions on the accounts by 31 October 2010 at seven councils (2 per cent of the total) and 11 local government bodies (12 per cent). The report also names two councils where the auditor gave a qualified opinion.

**12** Parish councils serve about 15 million people in England and spend roughly £500 million of public money. In February 2011 the Audit Commission has published a report into the timeliness and quality of financial reporting at Parish Councils.

**13** Overall, parish councils are improving the timeliness and quality of their financial reporting. However, the Commission is concerned about a small number that persistently fail to publish audited accounts. These councils are not providing the most basic level of accountability local electors are entitled to. It is unacceptable that parish councils should fail persistently to produce accounts, yet still be able to receive and spend public money.

### **NFI and Blue Badge Fraud**

**14** The Audit Commission has provided an update on its NFI work on blue badge fraud. Since 2004 Commission NFI work has helped reveal the levels of blue badge fraud in England. Now the government is planning the first major overhaul for 40 years of the blue badge scheme.

**15** Introducing blue badge data to NFI has proven significant. By matching this data to deceased person records we have been able to ensure that over 50,000 badges were not reissued. In addition advances in technology mean many authorities can now detect, and take action on, the fraudulent use of the badges. In one case investigation of a NFI referral revealed a badge that had been used over 1000 times to avoid the congestion charge after the badge holder's death. We continue to work with authorities to help reduce abuse of this scheme and released further matches in January 2011 as part of NFI 2010/11.

### **Remuneration and the Localism Bill**

**16** The Localism Bill includes provisions to require councils to prepare and publish a statement setting out the authority's policy on the remuneration arrangements of its chief officers which must be approved by full council

**17** Ministers have signaled their intention to issue new guidance on a salary ceiling at which remuneration decisions should be always brought before a full council vote. Ministers believe that threshold should be set at £100,000.

### **Code of Recommended Practice on data transparency**

**18** The Department for Communities and Local Government have published a consultation on the code of recommended practice for local authorities on data transparency. The proposed Code is concerned with making data generated by authorities available and accessible to the public. It is intended to set out the requirement to publish data and minimum expectations and considerations. It also includes the requirement for authorities to name all staff paid more than £58,200 a year (The pay level is equivalent to/based on the lowest salary for senior civil servant.)

## **Staff Mutual's**

**19** Many staff mutual's are expected as a result of the Localism Bill. This would place a duty on principal authorities in England to consider 'expressions of interest' by relevant bodies in providing relevant services. Relevant bodies include any two or more employees (102; 66.5) and relevant services include all services except any which ministers specify in regulations. The Commissioning Joint Committee has provided and information note on this for local authorities.

## **Local Government Performance Framework**

**20** The Local Government Association has published its proposals for the new local government performance framework. The document sets out the expected roles and areas for consideration. These suggestions are not meant to be prescriptive but are a useful guide and should be tailored to the specific needs to the authority. They include roles of local authorities; role of the Local Government Group, including peer challenge, peer support, knowledge HUB; role of Local Government Programme Board; role of audit & inspection and role of central government.

## **Local Authority Publicity**

**21** Local authorities are required to consider the Code of Recommended Practice on Local Authority Publicity when reaching any decision on publicity, which is defined as any communication, in whatever form, addressed to the public or a section of the public.

**22** On 11 February 2011, the Department for Communities and Local Government published its revised code of recommended practice. The Code provides guidance on the content, style, distribution and cost of local authority publicity, and is subject to approval by parliament.

# Key Considerations

**23** The Audit Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper. Has the Audit Committee considered :

- the report summarising the feedback received to the fee consultation and the response to the key issues raised by respondents;
- the report on public bodies' financial reporting in 2009/10;
- issues around Blue Badge fraud;
- impact of the Localism Bill on remuneration packages;
- issues raised in the consultation on the code of recommended practice for local authorities on data transparency;
- the possible impact of staff mutuals;
- the proposals for the new local government performance framework;  
and
- the Code of Recommended Practice on Local Authority Publicity.

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## Appendix 1 2010/11 audit programme

Table 1: **Progress of the 2010/11 audit plan**

<b>Programme</b>	<b>Progress</b>	<b>Conclusions / Findings</b>	<b>Deadline for draft report</b>	<b>Audit Committee meeting</b>
<b>Audit Plan</b>				
Initial fee letter 2010/11	Complete	Indicative fee was agreed by the Chief Executive in April 2010 and presented to Audit Committee.	April 2010	June 2010
Audit Opinion Plan 2010/11	Complete	This has been agreed with the Interim Head of Finance and presented to Audit Committee.	January 2011	February 2011
<b>Opinion</b>				
IFRS restatement work	Significantly complete and final review to be completed in March		Report through External Audit Progress Reports	June 2011
Interim work on arrangements to support the opinion	Commenced		Report through External Audit Progress Reports	March and June 2011

Review of financial statements	Not started		September 2011	September 2011
Annual Governance Report	Not started		September 2011	September 2011
<b>VFM conclusion</b>				
Assessment of the Council's performance against the VFM conclusion	Planning work completed.		September 2011	September 2011
<b>Annual Audit Letter</b>				
Annual Audit Letter 2010/11	Not started		November 2011	February 2012
<b>Grant Claim certification report</b>				
Grant Claim Certification report 2010/11	Not started		February 2012	March 2012