

External Audit Progress Report and Briefing

March 2011

Tonbridge & Malling BC

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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Progress Report

Our responsibilities

1 Our audit is designed to meet the requirements of the Audit Commission's Code of Audit Practice. Under the Code we are required to:

- give our opinion on whether the Council's financial statements give a true and fair view of its financial position and of the income and expenditure for the year; and
- issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Progress against the 2010/11 audit plan

2 We design a programme of work to address those significant and financial risks facing the Council which also impact on our responsibilities. The table at Appendix 1 sets out progress against our 2010/11 audit plan.

Early work on IFRS restated accounts

3 From 2010/11 all local authorities are required to prepare accounts using International Financial Reporting Standards (IFRS). This also requires authorities to restate their 2009/10 accounts, including the opening balance sheet at 1 April 2009, on an IFRS basis.

4 Officers have now provided us with

- a full set of restated 2009/10 accounts; and
- a "skeleton" framework for the 2010/11 accounts which includes the new disclosures required under IFRS.

5 Our review of the restated 2009/10 accounts is substantially complete. We consider that the Council continues to have a strong framework in place to support IFRS implementation. Good quality working papers have been provided to support the 2009/10 restated accounts and there has been a comprehensive review of disclosure issues. There are no significant issues relating to the restatement exercise which we need to raise at this stage.

6 In moving towards the closure of 2010/11 accounts the IFRS restatement issues which the Council will need to focus on are;

- Considering the appropriate accounting treatment under IFRS for contributions received under Section 106 agreements. We are discussing the relevant issues with officers.
- Reviewing the format and content of the "skeleton" disclosure notes to take account of the actual information which needs to be disclosed in the 2010/11 accounts.

7 We will provide an update on our work in this area at the June Audit Committee. We will provide our opinion on the Council's 2010/11 accounts by 30 September 2011.

Other Matters of Interest

8 This section highlights emerging issues which may be of interest to the Audit Committee.

Proposed changes to the Accounts and Audit Regulations

9 The Department for Communities and Local Government (CLG) has recently consulted on changes to the Accounts and Audit Regulations (2003). The consultation closed on 4 March and responses to the consultation are currently being considered. It is proposed that any revised regulations will be implemented with effect from 31 March 2011 and will therefore take effect for 2010/11 accounts.

10 The most significant changes are likely to relate to the framework for approving and publishing the financial statements.

11 We are in discussion with officers about the potential impact on the closedown process for the 2010/11 accounts. We have agreed to keep to the previously agreed timetable for receipt of draft accounts and supporting working papers and for our audit of the financial statements.

Audit Commission publications

12 This section gives details of recent Audit Commission publications which may be of interest to the Audit Committee. Copies of these reports and other material can be found on the Audit Commission website: www.audit-commission.gov.uk.

The Final Countdown: IFRS in local government (March 2011)

13 This is the final briefing paper in the Commission's "Countdown to IFRS" series. It reports on findings from a January 2011 auditor survey on the implementation of IFRS in local government.

14 The paper:

- make comparisons with previous overall assessments in November 2009 and July 2010;
- looks at how far authorities have progressed with key steps such as the restatement of 2009/10 accounts;
- highlights the technical aspects of financial reporting that have raised issues for authorities; and
- sets out key actions for authorities at this stage.

15 The overall message is that even authorities with issues to resolve still have time to implement IFRS successfully. However, they need to act quickly as problems arising later in the final accounts period may lead to additional costs or material errors in draft accounts.

Auditing the accounts 2009/10: Quality and timeliness of local public bodies' financial reporting (February 2011)

16 This report summarises the quality and timeliness of financial reporting by councils, police authorities, fire and rescue authorities and local government bodies in 2009/10.

17 The report covers:

- auditors' work on the 2009/10 financial statements;
- auditors' 2009/10 local value for money work;
- the public interest reports and statutory recommendations issued by auditors since December 2009; and
- key financial management and financial reporting challenges for 2010/11.

18 The report congratulates seven councils, one police authority, three local government bodies and one fire and rescue authority for early

publication. It also reports 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 names two councils where the auditor gave a qualified opinion.

Protecting the Public Purse (October 2010)

19 This report describes what has happened in the field of fraud detection and prevention since 2009 and sets out the findings from the Commission's most recent fraud survey. It identifies key fraud risks and urges councils and other organisations to act on them.

20 Last year England's councils detected around £99 million worth of benefit fraud, over £15 million worth of council tax fraud and £21 million worth of other types of fraud, including false insurance claims and abuse of the disabled parking 'blue badge' scheme. In addition nearly 1,600 homes with a replacement cost of approximately £240 million were recovered by councils.

21 The report describes the action taken by some councils to tackle fraud. It also provides links to tools which may help councils in preventing and detecting fraud, and includes a checklist to help them assess their effectiveness in this area.

Appendix 1 Progress against the 2010/11 audit plan

The table below sets out the work programme for the 2010/11 year with progress to date.

Table 1:

Area of work/risk identified in Audit Plan	Progress to date	Planned Output
Audit planning		
2010/11 Audit fee letter		Issued April 2010
Opinion		
Financial systems	<p>We are required to obtain assurance that the information from the material systems used to prepare the Council's accounts is complete and accurate.</p> <p>We evaluate key controls within these systems which would prevent or detect material misstatement and test the operation of these controls on a cyclical basis. Where possible we place reliance on the work of internal audit.</p> <p>We have now substantially completed this work for 2010/11. Our work to date has not identified any significant deficiencies in internal control which we need to bring to your attention.</p> <p>Further work will be required to test the operation of controls in the final quarter of the financial year, including year-end reconciliations.</p>	
Review of the 2010/11 financial statements	Our current opinion risk assessment is included in our 2010/11 Audit Plan, which is included as a separate item on today's agenda.	Audit Opinion: September 2011

Area of work/risk identified in Audit Plan	Progress to date	Planned Output
	<p>We will continue to liaise with the Council on relevant issues relating to the preparation of the 2010/11 accounts. Our detailed work to review the 2010/11 financial statements will begin in June 2011</p>	<p>Annual Governance Report: September 2011</p>
<p>Whole of Government Accounts</p>	<p>We are required to audit the whole of government accounts consolidation pack.</p>	<p>Audit report September 2011</p>
<p>Value for Money Conclusion</p>		
	<p>In 2010/11 auditors will give their statutory Value for Money (VFM) conclusion on the arrangements to secure economy, efficiency and effectiveness based on two criteria specified by the Commission, relating to a Council's arrangements for:</p> <ul style="list-style-type: none"> ■ securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position; and ■ challenging how it secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency. <p>The key areas we will consider for our value for money conclusion at the Council are identified in our 2010/11 Audit Plan, which is included as a separate item on today's agenda.</p>	<p>VFM Conclusion: September 2011</p>
<p>Certification of claims and returns</p>	<p>In 2010/11 we will be required to certify the following grant claims and returns;</p> <ul style="list-style-type: none"> ■ Housing and council tax benefit subsidy claim; ■ National Non-Domestic Rates Return; and 	<p>Certificate due 30 November 2011 Certificate due 23 September 2011</p>

Area of work/risk identified in Audit Plan	Progress to date	Planned Output
	<ul style="list-style-type: none"> ■ Disabled Facilities Grant. <p>We will produce a report summarising the outcomes from our 2010/11 certification work in early 2012.</p>	<p>Certificate due 31 October 2011</p> <p>Annual report: February 2012</p>
Annual Audit Letter		
	<p>The Annual Audit Letter is a publicly-available document which summarises our findings under the Code of Audit Practice.</p>	<p>Annual Audit Letter October 2011</p>