

External Audit **Statement of** **Audit Progress**

Cannock Chase District 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 update

Introduction

1 The purpose of this paper is to provide the Audit and Governance Committee with a report on progress in delivering our responsibilities as the Council's external auditor. This update also seeks to highlight key emerging national issues and developments which may be of interest to members of the Committee.

2 At the end of this update there are a number of questions which the Audit and Governance Committee may wish to consider in order to ensure that it has received sufficient assurance on the emerging issues.

Audit coverage and inputs

Opinion Audit for 2010/11

3 The presentation of your Annual Audit Letter finalises the delivery of your 2010/11 Audit Plan. We were able to issue our opinion and VFM conclusion in line with the required deadlines and there are no outstanding areas of work.

Opinion Audit and VFM Conclusion 2011/12

4 We continually revisit our planning throughout the financial year to update our assessment of the key risks facing the Council. We continue to meet on a quarterly basis with the Chief Executive and Head of Governance and more regularly with the Head of Financial Management to monitor delivery of the audit.

5 We will update our understanding of the control environment over the coming months and also the financial environment which informs our assessment of your overall financial resilience. We have also kept abreast of developments within the directions from DCLG in relation to District Councils. Our assessment has identified some key risks facing you which we have discussed with Officers and will continue to monitor. These will be detailed in the opinion testing strategy to be presented to the next Audit Committee, but in summary are:

- financial resilience, in particular;
 - the settlement for future years and how the Authority is planning to deal with this; and
 - managing the delivery of changing in Housing Benefits and Council Tax Benefits going forward;
- shared services;
- self-financing of Housing stock; and
- leisure outsourcing.

Grant certification work

6 We have completed 5 of the 6 grant claims for 2010/11. As detailed in the Annual Audit Letter there was one qualification. We also anticipate that the Housing Benefits and Council Tax Benefits Subsidy claim will be qualified. Due to the number of complex transactions within this system it would be unusual for the claim to not be qualified. However, we are working closely with the Council team to ensure that work is completed efficiently and accurately before the deadline of 30 November 2011.

7 We will report all our grant certification work to the Audit Committee once it is finalised.

Working with Internal Audit

8 We continue to work with Internal Audit during 2011/12 and are aiming to place reliance on their work wherever possible. We have met with the Head of Internal Audit and agreed the coverage of our work for 2011/12 by system to ensure that there is no duplication or inefficiencies in the work programmes. We will agree the detail of each system at a later date. We continue to liaise and this will be on a more frequent basis as the shared services programme of work develops. This approach should reduce the regulatory burden on the Council, particularly finance staff.

Conclusion

9 We are on target to deliver the audit plan for 2010/11 as set out in Appendix 1. We are also on target to deliver the audit plan for 2011/12 at this stage. This will be reported in more detail to the next Audit Committee.

Other matters of interest

National reports

10 There have been no National Reports relating to District Council's released since the last Audit Committee.

Other information

Update on the Audit Commission

11 We have previously advised the Audit Committee on the procurement exercise to outsource the Audit Commission's in-house audit practice. Thirteen firms recently completed the pre-qualification stage and have been formally invited to tender for the work. These tenders need to be submitted by 16 December 2011 and the Audit Commission's Board expects to approve the contract awards in the week commencing 20 February 2012. Please contact Grant Patterson, your Engagement Lead, if you would like to discuss this further.

Fighting Fraud Together

12 In October 2011, thirty-seven organisations joined forces today to launch 'Fighting Fraud Together', a new strategy that aims to reduce fraud - a crime estimated to cost the UK £38 billion every year. The organisations involved include the NHS, the Charity Commission, the Department for Communities and Local Government, HM Revenues and Customs and the Association of Chief Police Officers. It is the first time that government, industry, voluntary groups and law enforcement agencies have joined together on such a large scale to sign a joint commitment to tackle fraud. All thirty-seven partners that have signed up to the 'Fighting Fraud Together' strategy which will contribute to and be accountable for its success.

13 The strategy and its accompanying action plan place a strong emphasis on preventing fraud through greater fraud awareness and self protection, combined with stronger government and industry prevention systems and controls. Examples of the new initiatives include:

- Preventing fraud: Industry and the public sector will develop their intelligence-sharing capabilities to prevent fraud attacks.
- Increasing awareness and reporting: A new research tool will help all sectors provide more targeted prevention advice to the public, particularly vulnerable people, and develop a better understanding of small businesses' vulnerability to fraud and the support they need.
- A more effective enforcement response: Greater intelligence capabilities of the National Fraud Intelligence Bureau will disrupt fraudsters' activities and rapidly close down the channels through which they operate and launder money.

Localism Bill in plain English

14 On 15 June 2011, the Department for Communities and Local Government (CLG) published “A plain English guide to the Localism Bill - update”.

<http://www.communities.gov.uk/publications/localgovernment/localismplainenglishguide>

The guide provides an overview of the main measures of the Localism Bill under covering:

- new freedoms and flexibilities for local government;
- new rights and powers for communities and individuals;
- reforms to the planning system; and
- reform to ensure that decisions about housing are taken locally.

15 It replaces the version published by CLG in January 2011.

HRA self-financing

16 On 28 July 2011 the Department for Communities and Local Government (DCLG) published Self-financing: Planning the transition.

17 Self-financing will put local authority landlords in the position where they can support their own housing stock from their own income. This document provides local authorities with the detailed information they need to prepare for a successful transition to self-financing. It also provides an update on the wider policy and accounting context within which self-financing will operate.

<http://www.communities.gov.uk/publications/housing/selffinancetransition>

18 DCLG has also published working drafts of the legal determinations necessary to bring self-financing into effect, the powers for which are in the Localism Bill. DCLG intends to formally consult on the determinations in November 2011.

Work programme and scale fees 2012/13

19 The Commission has recently consulted on a reduction of 10 per cent from the published 2011/12 scale fees for principal bodies. This continues its programme, begun before the announcement in August 2010 of the abolition of the Commission, to deliver cost cuts of £70 million (30 per cent) over a three-year period.

20 The Commission has not made changes to the work programme for 2012/13. As published in the final work programme and scales of fees for 2011/12, auditors will apply a light touch approach to their value for money work at strategic health authorities, probation trusts and some local government bodies.

21 The Commission will publish the final work programme and scales of fees for 2012/13 in April 2012, following the completion of the exercise to outsource the work of the in-house Audit Practice.

Key considerations

22 The Audit & Governance Committee may wish to consider the following question in respect of the issues highlighted in this briefing paper.

- In relation to HRA self financing, is the Audit & Governance Committee satisfied that the principles are being factored into all future documents, eg strategy documents, the budget, etc?

Emily Mayne
Audit Manager

November 2011

Appendix 1 2010/11 Programme

Programme	Progress	Main Conclusion / Findings	Deadline for draft report	Audit Committee meeting
Audit Plan				
Initial Fee Letter 2010/11	Reported to the Chair of Audit Committee	The indicative fee was agreed by the Chief Executive in April 2010.	February 2011	March 2011
Audit Opinion Plan 2010/11	Completed	This has been agreed with the Head of Financial Management.	February 2011	March 2011
Opinion				
Interim work on arrangements to support the opinion	Completed	Initial work has been undertaken on your key financial systems. No significant weaknesses identified to date. Revisions to the testing strategy have been communicated to the Council and Those Charged with Governance.	Report through Statements of Audit Progress	N/A
Annual Governance Report	Completed	We were able to present an unqualified opinion on the Council's financial statements.	September 2011	September 2011

Programme	Progress	Main Conclusions / Findings	Deadline for draft report	Audit Committee meeting
VFM conclusion				
Assessment of the Council's performance against the Value for Money criteria informing the VFM conclusion	Completed	We were able to present an unqualified conclusion on the Council's arrangements for VFM.	September 2011	September 2011
Local risk work in relation to Shared Services	Completed	We have formed early conclusions which were agreed with both Council's and have been presented to the Programme Board.	June 2011	June 2011
Annual Audit Letter				
Annual Audit Letter 2010/11	Completed		October 2011	November 2011

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