

Audit **Committee** **update**

Mid Devon District Council

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 that may be of interest to members of the Audit Committee.
- 3 If you require any additional information regarding the issues included within this briefing, please 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.

Wayne Rickard

District Auditor / Engagement Lead

25 September 2012

Progress report

Financial statements

5 My audit of the Council's Financial Statements is now complete. I plan to issue an audit report including an unqualified opinion on the financial statements. The Annual Governance Report on the agenda for this meeting gives more detail on my findings.

VFM conclusion

6 My work to conclude on the Council's arrangements for Value for money is now complete. I intend to issue an unqualified conclusion stating the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. The Annual Governance Report on the agenda for this meeting gives more detail on my findings.

Whole of Government accounts

7 My work on the Council's Whole of Government (WGA) accounts is also complete. The Council's WGA return required a short form assurance statement, as the Council falls below the full review threshold.

8 The Council's consolidation pack is consistent with the information the Council's audited statutory accounts and the accounting records from which the audited statutory accounts are produced. I have no matters to report.

Claims and certification

9 The Council has four claims that require certification for 2011/12, Housing Benefit and Council Tax subsidy, Non-Domestic Rates, Pooling of Capital Receipts and the Housing Subsidy. I completed my work on all four claims and no amendments are required.

Update on outsourcing the work of the Audit Practice

10 The Commission Board confirmed the appointment of firms to audit the accounts of all principal bodies from 2012/13. These appointments commence on 1 September. The Board's decision marks the end of the statutory consultation process.

11 On 31 July the Director of Audit Policy and Regulation wrote to the Council's Chief executive to inform the Council of the Board's decision to appoint Grant Thornton as the Council's external auditors.

12 On 13 August, Sarah Howard, Head of Public Sector Assurance at Grant Thornton, wrote to the Council formally introducing themselves as the new external auditor.

Update on the residual Audit Commission

13 The Commission is reducing and reshaping its workforce so that it can deliver its remaining core functions of audit regulation, contract management and sector support.

14 The Department of Communities and Local Government has appointed a new Chairman of the Audit Commission to lead through the period of transition and downsizing, in advance of its proposed abolition.

Other matters of interest

Public Sector Internal Audit Standards

15 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA) announced a formal collaboration in May 2011.

16 This collaboration has recently led to the formation of the UK Internal Audit Standards Advisory Board, which will provide oversight and challenge to the development of UK-wide Public Sector Internal Audit Standards.

17 The new unified set of internal audit standards will be based on the mandatory elements of the IIA's International Professional Practices Framework. It is proposed that they will apply across the UK to central and local government and the NHS (excluding foundation trusts).

Payment by results

18 The Audit Commission published *Local payment by results* on 5 April 2012. This is a briefing paper that considers potential issues arising from local authorities using payment by results (PbR) as a method of commissioning and paying for services.

19 PbR is a new approach, where commissioners pay service providers according to how well they achieve specified outcomes, rather than by outputs or volumes of service. These outcomes may be social, economic, financial, or a combination of all three. PbR is not the only contract type that rewards good performance, and commissioners should always consider other options alongside PbR to choose the most suitable approach.

20 What sets PbR apart from other contract types is that a significant amount of payment is withheld until the results are delivered. The payment is directly related to the level of success.

21 National PbR schemes are developing quickly. Some early schemes include reducing reoffending; diverting young offenders from custodial sentences; helping the unemployed to find work; preventing children from being taken into care; keeping frail older people in their own homes; and improving the management of chronic health conditions.

22 The briefing sets out to help councils understand what PbR might entail. As most schemes are at an early stage, the Audit Commission has identified a range of issues that local commissioners should consider if they are to use PbR successfully, drawing on some national and international examples.

23 The briefing suggests that there are five principles that any PbR scheme needs to meet if it is likely to succeed:

- a clear purpose;
- a full understanding of the risks;
- a well-designed payment and reward structure;
- sound financing; and
- effective management and evaluation.

24 The Audit Commission has sent the briefing to council chief executives and other key stakeholders.

The rights of local electors

25 The Audit Commission has published an updated version of Council accounts: a guide to your rights. The publication aims to help local electors by explaining their rights and how to engage with auditors in relation to the accounts. It also points electors to other sources of advice and more information where they have concerns that are not about the accounts.

26 The publication is accompanied by a Notice of an Objection form designed to assist electors wishing to present their objection to an item or items of accounts to the auditor.

27 Members of the Audit Committee may find it helpful to familiarise themselves with the document which can be found on the Audit Commission's website.

NAO role in local VFM studies

28 The NAO currently carries out around 60 VFM studies on central government initiatives and programmes each year. From next year, it will also undertake VFM studies in the local government sector.

29 A new Local Government Reference Panel has been set up to give councils an input to the NAO's programme of local government value for money studies. The panel, which will meet twice a year, includes representatives from nine local authorities as well as from CIPFA, Community Service Volunteers and the University of Birmingham.

30 The programme comprises three studies in 2012/13, the first being communication between central and local government, rising to four in 2013/14 and six in 2014/15.

31 Subject to Parliamentary approval, the NAO eventually expects to assume the Audit Commission's role in setting the framework for local audit, through a code of audit practice.

Contact details

32 If you would like further information on any items in this briefing, please contact either your District Auditor / Engagement Lead or Audit Manager.

33 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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- any third party.



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