

Audit Committee Progress Report

April 2011

London Borough of Sutton

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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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.
- 2** This update also seeks to highlight key emerging national issues and developments which may be of interest to members of the Committee. It includes issues that are relevant to you as a Local Authority.
- 3** Finally, if you require any additional information regarding the issues included within this briefing, please feel free to contact me or the Audit Manager using the contact details at the end of this update.

Lindsey Mallors

District Auditor

28 April 2010

Progress Report

Key messages

4 Since the December 2010 meeting of the Audit Committee, my team has completed work on the certification of the 2009/10 grant claims and has begun work on the pre-statements audit of the 2010/11 financial statements. This work updates my understanding of the Council, including internal and external factors which may impact on your financial statements. My team has also completed work to document your main financial information systems and identify the controls on which I will seek to place reliance.

5 I have summarised the outcomes of the grant claims work in a report which I present to this meeting.

6 The results of the planning of the opinion audit are summarised in my Audit Plan for 2010/11, which I also present to this meeting. This sets out the work I need to do to give an opinion, the specific risks I have identified relating to your financial statements and my testing strategy to address risks identified.

7 The audit of the Council's Pension Fund is a separate engagement. My team has gone through the same process of risk identification for the Pension Fund and I have set out the specific risks and my testing strategy to address these risks in the Pension Fund Audit Plan for 2010/11. This is also presented to this meeting.

8 At the previous meeting I set out the main changes to my team's audit approach arising from the new International Standards on Auditing from the Auditing Practices Board's "Clarity Project". We have now discussed the implications of these with officers. Our next step will be to carry out a review of the Council's re-statement of the opening balances under International Financial Reporting Standards.

2011/12 work programme and scales of fees

9 The Audit Commission issued its work programme and scales of fees on 25 February 2011. These documents are available on the Audit Commission website and include a report summarising the feedback received to the earlier consultation and the Commission's response to the key issues raised by respondents.

10 The final work programme and scales of fees for local government, housing and community safety document confirms significant reductions in audit fees, reflecting both the new approach to local value for money (VFM) audit work and a reduction in the ongoing audit costs arising from the introduction of International Financial Reporting Standards.

11 The scale fee for the Council is £205,200, a reduction of 10 per cent compared to the 2010/11 fee. This is represented in the fee letter which I present to this meeting.

12 The Commission will also rebate 3.5 per cent of the Council's scale fee for 2010/11. 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. The Commission will notify audited bodies of the amount due to them in the summer.

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

Other information

14 I have also provided the Audit Committee with a summary of recent Audit Commission national reports. I can provide further detail to the Committee where they would find this helpful.

15 We seek to help councils improve by:

- helping them to establish firm foundations of good management;
- helping elected Members, managers and officers to deliver value for money; and
- looking at how users experience services across organisational boundaries.

16 One mechanism for driving improvement is the national reports that we produce. This section of the Audit Committee's progress report summarises for Members information, the headline messages from the latest Audit Commission national reports.

17 We issue all our reports to the Chief Executive and they are available to Members on the Audit Commission's website at www.audit-commission.gov.uk.

Summary of recent Audit Commission national reports

Auditing the accounts 2009/10: Quality and timeliness of local public bodies' financial reporting (December 2010)

18 This report provides a summary of the quality and timeliness of financial reporting by councils, police authorities, fire and rescue authorities and other local government bodies. It covers:

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

19 The main challenges identified for 2010/11 are:

- the requirement to prepare financial statements under IFRS for the first time; and
- managing the implications of the current economic climate on income, and the impact of the Comprehensive Spending Review and financial settlement from central government.

Both these challenges are significant. The Audit Committee will want to be assured that the Council is addressing them equally robustly.

The Final Countdown: IFRS in local government (17 March 2011)

The Commission has published the final briefing paper in its Countdown to IFRS series, reporting on findings from a January 2011 auditor survey on implementation of IFRS in local government. The briefing paper covers IFRS implementation in councils, police authorities and fire and rescue authorities.

In the paper, the Commission

- makes comparisons with an overall assessment taken 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.

The overall message is that even those authorities with issues to resolve still have time to implement IFRS successfully, if they take appropriate action. However, they need to act now, as problems that arise later in the final accounts period may lead to added costs for the authority or material errors in draft accounts.

Better Value for Money in Schools (31 March 2011)

The Audit Commission has published four briefings which are designed to help schools make the best use of their workforce - whether teachers, teaching assistants, or administration and finance staff - at a time when they have to find savings.

England's maintained schools spent £35 billion in 2009/10. School staff account for over three-quarters of this total and form one of the country's largest public sector workforces.

These briefings, under the heading Better Value for Money in Schools, examine patterns in spending in maintained schools in England. They aim to help school heads, governing bodies and councils control costs without compromising educational attainment.

They look at four areas where schools have scope to improve efficiency:

- the deployment of classroom staff, including class sizes and allocation of teachers and teaching assistants;
- the breadth and focus of schools' curriculum offer;
- approaches to covering for staff absence, including supply teachers; and
- the size, cost and composition of the wider (non-teaching) school workforce.

In addition the Audit Commission published a summary paper, An overview of school workforce spending, which is targeted at chairs of governing bodies and lead members on children's services.

Contact Details

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

21 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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