

# **Audit** **Committee** **update**

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**Gedling Borough 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 which may be of interest to members of the Audit Committee. The paper concludes by asking a number of questions which the Committee may wish to consider in order to assess whether it has received sufficient assurance on emerging issues.
- 3 If you require any additional information regarding the issues included within this briefing, please feel free to 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](http://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.

John Cornett

District Auditor

14 March 2012

# Progress report

5 I have completed my initial audit planning. The findings of this process are reported in detail in my audit plan which is also on this agenda.

6 I have carried out my review of your material financial systems and key controls and have no issues to report to you as a result of this work. To date I have flagged no new risks that lead to a change in my overall risk assessment or a change in the proposed audit fee

# Update on the externalisation of the Audit Practice

**1** In August 2010, the Department for Communities and Local Government (DCLG) announced plans to put new arrangements in place for auditing England's local public bodies. The following July, the Audit Commission began the process to privatise the audits currently delivered by its in-house Audit Practice.

**2** On 6 March 2012, the Audit Commission announced the results of this procurement exercise. Five-year audit contracts have been awarded to four private firms starting from 2012/13. In the East Midlands, the contract has been awarded to KPMG LLP.

**3** Public bodies are expected to save over £30 million a year for the length of the contracts. Together with additional savings of £19 million a year achieved through the Commission's own internal efficiencies, the result will be an expected £250 million (or 40 per cent) fall in audit fees for most local public bodies over five years.

**4** Following the end of the procurement process, there will be a consultation period with audited bodies on the appointment of their new auditors. The appointments will be formally approved by the Commission's Board in July. Appointments for 2012/13 will commence on 1 September, with Audit Commission staff transferring to the new suppliers on 31 October 2012.

## Other matters of interest

### Annual fraud and corruption survey 2011/12

**5** On 2 April 2012 the Audit Commission will be issuing its annual survey to collect information regarding all detected fraud and corruption for the 2011/12 financial year.

**6** The electronic survey will be open for audited bodies to complete and submit between 2 April 2012 and 11 May 2012.

### National Fraud Initiative Consultation

**7** The Audit Commission is currently consulting on its proposed work programme and scales of fees for the 2012/13 National Fraud Initiative (NFI).

**8** The NFI, which takes place biannually, has helped trace over £650 million in fraud, error and overpayments since it began in 1996 and has attracted international recognition.

**9** The work programme will remain unchanged from NFI 2010/11 and, in recognition of the financial pressures that public bodies are facing, the Audit Commission proposes that the scale of fees for mandatory participants will remain the same as for NFI 2010/11.

**10** The consultation will close on 23 March 2012 and the final work programme and scales of fees will be published in May 2012.

### Local government capital finance system

**11** In late 2011 the Department for Communities and Local Government (DCLG) issued a consultation document on proposed changes to the Local Government capital finance system.

**12** A summary of the consultation responses was published on 8 February 2012 and the Regulations, which come into force on 31 March and 1 April 2012, have been laid before Parliament.

**13** DCLG's commentary confirms the intended effects of the amended Regulations are:

- to bring securitisation (the exchange of future revenues for an immediate lump sum payment) within the capital finance framework;
- to relax the rules on bond investments; and
- to clarify the definition of capital expenditure.

**14** DCLG has also published an updated edition of Capital Finance: Guidance on Minimum Revenue Provision. The amendments to the statutory guidance relate to Housing Revenue Account reform only and impact from 2012/13. The changes to the guidance are to ensure that the authorities taking on new debt do not face any inappropriate increase in their minimum revenue provision liability.

## **Openness and accountability in local pay**

**15** On 17 February 2012 the Department for Communities and Local Government (DCLG) published guidance which sets out the key policy principles that underpin the pay accountability provisions in the Localism Act.

**16** For each financial year, beginning with 2012/13, the Council will be required to prepare a pay policy statement which must articulate its policies on the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees.

**17** The statement must be:

- approved by full council, or a meeting of members in the case of a Fire and Rescue Authority; and
- published on its website.

# Key considerations

**18** The Audit Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper

- Has the Council made arrangements to complete the Audit Commission's annual fraud and corruption survey?
- Has the Council made arrangements to introduce the 2012 Capital Regulations and, where appropriate, the guidance on the minimum revenue provision (MRP)?

## Contact details

**19** If you would like further information on any items in this briefing, please feel free to contact either your District Auditor or Audit Manager.

**20** Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).

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- any director/member or officer in their individual capacity; or
- any third party.



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