

Audit Commission Progress Report

Oxford City Council
Date **January 2012**



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

Introduction

1 My principal objective as the Council's appointed auditor is to carry out an audit which meets the Audit Commission's Code of Audit Practice. This report sets out the progress I have made in delivering my work.

2 My audit plan sets our work based on the Audit Commission's risk-based approach to audit planning. It reflects:

- Audit and inspection work specified by the Audit Commission;
- Current national risks relevant to your local circumstances; and
- Your local risks and improvement priorities.

Our responsibilities

3 In carrying out audit work, we comply with the statutory requirements governing it, in particular the:

- Audit Commission Act 1998; and
- Code of Audit Practice (the Code).

4 My audit plan is consistent with the Commission's Strategic Plan.

5 The new Audit Commission Code came into effect from March 2010 which sets out my principal objectives are to report on the Council's:

- financial statements; and
- arrangements for securing economy, efficiency and effectiveness in its use of resources.

2010/11 audit work

6 My 2010/11 work is complete.

2011/12 audit work

7 I am currently planning my opinion and value for money conclusion work and my initial thoughts are included in my draft audit plan.

Audit Commission updates

The Commission produces regular updates of issues for auditors to bring to the attention of those charged with governance. These focus on specific developments that could have an impact on the Council's activities and so the following are areas that may be of interest to Committee members.

2011/12 Final Accounts Workshops

8 We have invited your staff to a workshop that will help them to prepare your financial statements for 2011/12.

9 The closest event for you is at Oxford Town Hall on 8 February 2012. Please contact Maria Grindley if you have not received an invite to these workshops or if you would like to discuss the events in more detail.

Dealing with the economic downturn

10 On 17 November 2011 the Audit Commission published 'Tough Times - Councils' responses to a challenging financial climate'.

11 The report draws heavily on the expertise of the external auditors of each council and also includes new analysis of councils' budget data.

12 The key findings in the report are:

- most councils are managing well in the face of unprecedented reductions to their income, but services have been affected and a small number of councils may struggle to balance their books;
- although councils face a real terms loss of total income of £4.7 billion (7.5 per cent) in 2011/12, auditors felt nine out of ten councils are well prepared for this and are on track to deliver their budgets;
- to meet the future challenge of cuts in government funding, some elements of councils' cost-reducing strategies will have to change and many councils will face difficult decisions about how to meet their funding shortfall in the next few years; and
- councils are not planning to make significant withdrawals from their reserves this year - some even plan to increase them.

13 The report recommends that councils use the Audit Commission's Value for Money profiles to see how their council compares to the national picture set out in this report, identify councils facing similar challenges, and learn from others' approaches. Audit Commission's VFM profiles can be found [here](#).

Procurement Fraud in the Public Sector

14 The National Fraud Agency has recently issued a report on public sector procurement fraud which examines new approaches to reduce fraud risk and make processes both quicker and simpler.

15 The report acknowledges that procurement fraud is a complex problem. It covers a wide range of illegal activities from bid rigging during the pre-contract award phase through to false invoicing in the post-contract award phase. It can be perpetrated by those inside and outside an organisation.

16 The report includes a number of case studies and details a number of actions that can be taken both immediately and in the medium term.

Protecting the Public Purse 2011

17 In November 2011 the Audit Commission published 'Protecting the Public Purse 2011 - Fighting Fraud against Local Government.'

18 This report is based on the Audit Commission's annual fraud survey - which is still the sole source of evidence about the levels of detected fraud in Local Government and related bodies.

19 The report reveals that England's councils have succeeded in detecting £185 million worth of fraud, an improvement of 37 per cent on last year's figure of £135 million. This is equivalent to a year's funding for around 700 libraries or the wages of up to 11,000 care workers.

20 The key areas where fraud was detected are:

- housing benefits and council tax benefits fraud, which accounted for more than half of the total fraud losses detected by councils;
- false claims for student and single person council tax discounts - £22million; and
- procurement fraud, with 145 cases amounting to £14.6 million.

21 We have therefore developed a single person discount comparator tool that allows local authorities to compare their levels of council tax single person discount with their predicted levels, based on a national average and this can be found on our website.
Delete if not applicable

22 The report found that counter-fraud professionals increasingly recognise abuse of personal budgets in adult social care as a fraud risk for councils and, in addition to the above, the National Fraud Authority estimates that housing tenancy fraud could cost up to £900 million each year.

23 The report concludes with a checklist that organisations may find it helpful to self-assess against. Covering a wide range of issues from procurement to recruitment, it will help provide Audit Committees with assurance over the arrangements in place.

For information: Police Reform and Social Responsibility Act 2011

24 The Police Reform and Social Responsibility Act received Royal Assent on 15 September 2011.

25 This Act will abolish police authorities in England and Wales and replace them with directly elected police and crime commissioners.

26 The Act requires the police and crime commissioner for a policing area to hold the chief constable to account, while also safeguarding the chief constable's operational independence. A police and crime panel, established by the local authorities in a police area, will provide independent scrutiny of the police and crime commissioner.

27 The first elections of police and crime commissioners will take place on 15 November 2012 and police authorities will be abolished within a week of these elections. All staff and assets will transfer in the first instance to the office of the police and crime commissioner.

Localism Act 2011

28 On 15 November 2011 the Localism Bill received Royal Assent.

29 The Department for Communities and Local Government (DCLG) has published an updated plain English guide to the Localism Act to reflect the final legislation and this may be of interest to members of the Audit Committee.

30 Subject to commencement, key measures of the Act include:

- introducing a new general power of competence, giving councils freedom to work together to improve services and drive down costs. Councils are now free to do anything - provided they do not break other laws;
- giving communities the right to approve or veto - by way of a referendum - Council Tax increases higher than a limit determined by the Government.
- opening the door for the transfer of power to major cities to develop their areas, improve local services, and boost their local economies;
- abolishing the Standards Board;
- clarifying the rules on predetermination in order to free up councillors to express their opinions on issues of local importance without the fear of legal challenge;
- enabling councils to return to the committee system of governance, if they wish, regardless of their size;
- giving councils greater control over business rates. Councils will have the power to offer business rate discounts, which could help attract firms, investment and jobs;
- promoting openness regarding the pay of senior officers; and
- allowing councils to keep the rent they collect and use it locally to maintain social homes through the abolition of the housing revenue account.

31 Many of the measures in the Localism Act are expected to be in place by April 2012.

Openness and Accountability in Local Pay

32 The Localism Act referred to earlier requires local authority pay policies to be openly approved by democratically elected councillors.

33 On 17 November 2011 the Department for Communities and Local Government published guidance which sets out the requirements for councils to publish their remuneration arrangements and approve larger salary packages in an open session of the full council.

34 Pay policy statements must be in place by 31 March 2012 and Ministers explicitly say in the guidance that the pay vote ceiling should be set at £100,000.

35 There will be a requirement to publicly justify any big bonuses, above inflation annual pay rises, or hiring a person already in receipt of retirement or severance money and organisations should state in their pay policy statement whether or not they permit such practices.

Housing Revenue Account self financing determinations

36 The Department for Communities and Local Government (DCLG) has recently published a consultation exercise on the Housing Revenue Account (HRA) self-financing determinations.

37 The consultation - which closes on 6 January 2012 - can be found on the DCLG's website and covers five draft determinations, the key ones of which are:

- the amount each local authority will either pay the government or receive from the government on 28 March 2012 to exit the current subsidy system, and the way in which the payments will be made; and
- the cap on the amount of housing debt each council may hold.

Update on the externalisation of the Audit Practice

38 The Audit Commission's Chief Executive, Eugene Sullivan, wrote to clients on 21 September 2011 summarising the Department for Communities and Local Government's plans for externalising the Audit Commission's work that is currently undertaken by the Audit Practice.

39 The key points are:

- Contracts will be let from 2012/13 on a three- or five-year basis. The earliest you will be able to appoint your own auditors is therefore for the 2015/16 audit.
- The work is split into four regions, comprising ten 'lots'. Each lot will be awarded separately, but any individual bidder can only win a maximum of one lot in each region (i.e. four lots in total).
- The Commission is managing a fair and equitable procurement process to allow suitable private-sector providers the opportunity to bid.

- Bids are due in by mid-December 2011, with the contract awards planned for mid-February 2012, with formal Commission approval planned for late July 2012 following consultation.
- Appointments will start on 1 September 2012. As such, the Commission will extend the current audit appointment to allow any audit issues arising between 1 April 2012 and 31 August 2012 to be dealt with. The costs of this 'interim' audit role will be met by the Commission.
- Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

40 A further update was provided in Eugene Sullivan's letter to clients of 10 November 2011. Thirteen potential providers have now been invited to tender following the initial pre-qualification stage.

41 Further details are available on the Audit Commission's website. We will continue to keep you updated on developments.

42 Against this background, the Audit Practice's focus remains:

- Fulfilling our remaining responsibilities – completing our work for 2010/11 and delivering your 2011/12 audit - to the high standards you expect and deserve.
- Managing a smooth transition from the Audit Practice to your new audit provider.

Key Considerations

43 The Audit and Governance Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper.

- Has the Council considered the Tough Times report and made appropriate use of the Audit Commission's VFM profiles?
- Has the Council used the single person discount comparator tool to compare its levels of council tax single person discount with the predicted level?
- Has the Council completed the fraud prevention checklist and, where appropriate, developed an action plan to address any weaknesses?
- Has the Council circulated the DCLG's plain English guide to the Localism Act to all members?
- Has the Council responded to the DCLG's consultation exercise on the Housing Revenue Account self-financing determinations?

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Appendix 1 Planned outputs

Audit Plan	Work carried out	Lead officer	Status	Start date	Draft report date	Final report date
2011/12 Audit						
Audit Fee Letter	Sets out audit fee.	Chief Executive	Complete	March 2011	March 2011	26 April 2011
Audit Opinion Plan	Provides detail of our opinion work.	Chief Executive and Corporate Director Finance & Efficiency	Draft to February 2012 Audit and Governance Committee meeting	December 2011	January 2012	
Opinion on accounts and VFM conclusion: <ul style="list-style-type: none"> interim visit IFRS restatement final accounts vfm conclusion 	Audit of financial statements leading to audit opinion and vfm conclusion.	Corporate Director Finance & Efficiency		January 2012	September 2012	
Whole of Government accounts	Audit of WGA data returns	Head of Finance		July 2012	September 2012	

Audit Plan	Work carried out	Lead officer	Status	Start date	Draft report date	Final report date
Annual Audit Letter 2011/12	Summary of the audit.	Chief Executive and Corporate Director Finance & Efficiency		September 2012	October 2012	

Grant claims 2011/12							
Grant claim	Details	Key contact	Progress	Council deadline provisional	Received from Council	Audit deadline provisional	Certified by Audit
BEN01	Housing and Council Tax benefits	Pauline Hull		31 May 2012		30 November 2012	
HOU01	Housing Subsidy	Jane Rees		30 September 2012		31 December 2012	
HOU21	Disabled facility grant	Paul Swaffield/ John Exeley		June 2012		October 2012	
LA01	NNDR	Adrian Wood		June 2012		September 2012	
CFB06	Pooling of Housing Capital Receipts	Debbie Williams		June 2012		September 2012	

