

Audit Progress Report

June 2010

Brighton and Hove City Council

Audit 2009/10

Date

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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.
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Introduction

- 1 My responsibilities are governed by the Audit Commission Code of Audit Practice for Local Government bodies. It determines the nature, level and scope of the work carried out by appointed auditors and underpins all our activities.
- 2 Under the Code I am required to audit the financial statements and to give my opinion on:
 - whether they give a true and fair view of the financial position of the Council and of its income and expenditure for the year in question; and
 - whether they have been prepared properly following relevant legislation and applicable accounting standards.
- 3 I am also required to review whether the Annual Governance Statement (AGS) has been presented in accordance with relevant requirements (the Local Government framework developed by CIPFA in conjunction with the Society of Local Authority Chief Executives (SOLACE): the CIPFA/SOLACE framework).
- 4 The Code also requires me to issue a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources. The Audit Commission has developed criteria for auditors to apply in reaching the value for money conclusion which are closely aligned to the Use of Resources framework.
- 5 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as the Council's external auditor.

2009/10 Audit

- 6 I sent a letter setting out the audit fee for 2009/10 to the Council's Chief Executive in April 2009. It was submitted to this committee in May 2009. The letter set out the main risk areas and the work which was proposed to mitigate each one.
- 7 I have now prepared an Audit Opinion Plan that is on the agenda of this meeting. This updates the committee on the steps taken to consider the main risk areas and further work proposed. It also sets out weaknesses in internal control identified from testing undertaken on key controls on material financial systems.
- 8 My detailed work on the financial statements will start in July 2010 and I will present my findings in an Annual Governance Report to the September meeting of this committee.

Use of resources assessment and value for money conclusion

- 9 I fed back my findings on the use of resources assessment to management on 22 April 2010.

- 10 However the change in government has resulted in Comprehensive Area Assessment (CAA) work being stopped immediately. This means that no further work will be undertaken on the use of resources assessment. On 29 May 2010 the Audit Commission's Managing Director, Local Government, Housing and Community Safety sent a letter to inform the Chief Executive of the position. A copy of this letter is attached as Appendix 1.
- 11 The findings from work undertaken earlier in the year will be used to support my value for money conclusion which I will still give with the audit opinion on the financial statements.

Other risk related work in 2009/10

- 12 My 2009/10 audit plan identified a number of risk areas. See Appendix 2 for details of work carried out and findings.

The Audit Commission

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.

Copies of this report

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Appendix 1 – Letter on CAA and use of resources assessment

28 May 2010

Chief Executives
All English Single Tier and County Councils

Direct line
Email

0844 798 2467
g-davies@audit-
commission.gov.uk

Dear Colleague,

I am writing on behalf of the CAA inspectorates to let you know how we propose to bring work on CAA to a conclusion in the light of the new government's recent announcement.

All work on updating the area assessment and organisational assessment will cease with immediate effect. These assessments on the Oneplace website will not now be updated. We will not be reporting new red or green flags in the area assessment nor updating the text around existing flags.

We will not be issuing new scores for the use of resources assessments, the managing performance assessments or the overall organisational assessments.

Ofsted has a statutory obligation to carry out an annual assessment of children's services. Pending any further decisions Ofsted will continue with the children's services assessment for 2010.

The Care Quality Commission is currently considering the implications of the ending of CAA for its assessment of adult social care with the Department of Health. They will also discuss the matter with the Association of Directors of Adult Social Services and communicate with councils as soon as this is finalised.

Your appointed auditor will continue to deliver the audit in line with the statutory Code of Audit Practice under which they are required to give a value for money conclusion alongside their opinion on the financial statements. Auditors will need to complete such work as they consider necessary to enable them to give this conclusion, but in practice we envisage they will be able to discharge this responsibility using work completed to date for the use of resources assessment. Your auditor will report any significant findings in the annual audit letter but will not be reporting a score for the use of resources.

Appendix 1 – Letter on CAA and use of resources assessment

We have already announced that we are reviewing the approach that auditors will take in future to the value for money conclusion from 2010/11.

We are in discussions with the government, the LGA and other representative bodies about the future approach to inspection. In the meantime, the Audit Commission will continue with the limited programme of risk-based inspections currently underway. Other inspectorates will continue with their standalone inspection programmes. We will inform you of any developments in our approach as soon as they have been agreed.

Your CAA Lead and appointed auditor will of course be available to discuss the practical implications of these changes. You can also phone our helpline on 08450 522616. I would like to thank you for your cooperation with our staff over the short life of CAA. We will of course consult you about the future approach to audit and inspection.

Yours sincerely,

Gareth Davies
Managing Director, Local Government, Housing & Community Safety
Audit Commission

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Appendix 2 – 2009/10 Audit Risk Areas

Risk Area Identified	Planned Work	Progress	Outcome
<p>The Council is to let a long-term contract for capital works and the repairs and maintenance of its housing stock in early 2009/10. Significant savings are expected through this approach. In order to achieve these, the contract must be soundly based and contract management arrangements effective.</p>	<p>I will review the contract arrangements to establish the reasonableness of the savings proposed, how the savings expected are reflected in the longer-term financial plans for the housing revenue account and the effectiveness of the proposed management of the contracts.</p>	<p>The fieldwork on this project is complete and a draft report is being discussed with officers.</p>	<p>I will submit the report to the September 2010 meeting of this committee.</p>
<p>The Council's proposed participation in a company that will manage about 500 of its housing properties as a means of improving their condition is innovative. However, it requires appropriate arrangements to be established to safeguard the Council's assets and to ensure the company achieves the improvements required.</p>	<p>I will review the Council's arrangements at key stages and comment as necessary.</p>	<p>The Council has approved the adoption of the general consents route to lease up to 499 empty properties over 5 years to the local delivery vehicle.</p>	<p>The arrangement will not affect my audit opinion for 2009/10. Progress with the LDV is being considered as part of my review of the contract arrangements for capital works and repairs and maintenance of housing stock.</p>

Appendix 2 – 2009/10 Audit Risk Areas

Risk Area Identified	Planned Work	Progress	Outcome
<p>The waste management PFI in partnership with East Sussex County Council is a high profile arrangement. Effective management of the contract with the service provider is essential. Failure to manage the contract effectively could be costly to the Council.</p>	<p>We will undertake a high level overview of the Council's approach in order to ensure the arrangements in place ensure that the Council achieves value for money. This builds on our work at previous audits.</p>	<p>My team has attended meetings with officers from the Council and from East Sussex County Council to discuss arrangements. I am also taking advice from PFI technical specialists from our central technical unit.</p>	<p>I will continue to discuss issues with officers. This will include accounting arrangements as the early introduction of a International Financial Reporting Standard in 2009/10 will affect the valuation and accounting entries for this PFI.</p>



