

Progress report and briefing

June 2011

Brighton & Hove City Council

Audit 2010/11

DRAFT



The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

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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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Audit progress

Introduction

1 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering my responsibilities as the Council's external auditor.

2 If you require any more information about the issues included within this briefing, please feel free to contact me as your District Auditor or a member of the local audit team. Contact details are set out at the end of this update.

2009/10 audit

3 My work on the 2009/10 audit is now complete. I formally concluded the audit and issued the audit certificate on 17 May 2011. The conclusion of the audit was delayed as I had to consider two objections raised by a local elector to the Council's 2009/10 financial statements. I have now dealt with both of those objections and I concluded that I did not need to take any formal audit action as a result of issues raised.

2010/11 audit

Financial Statements

4 The proposed timing for my audit work is set out in table 1.

Table 1: **Audit time line**

Work Flow	Date of completion	Reports / Progress
Documentation and walkthrough of key financial systems	January 2011	Completed. In my 2010/11 opinion audit plan and progress report to the April Audit Committee I reported that my work to document and walkthrough the Council's new Midland iTrent payroll system suggests the control environment has improved compared to the outgoing system. I therefore planned to test and rely on controls in the new payroll system to gain assurance in relation to expenditure generated by the

Work Flow	Date of completion	Reports / Progress
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system. Internal Audit has now completed its testing of controls in the new payroll system and I have reviewed that work. The work has shown that I am not yet able to rely on the operation of controls in the new payroll system. This is because not all controls are operated consistently and insufficient evidence is retained for some controls to show the control has been operated. I will report significant weaknesses in internal control and associated recommendations in my annual governance report.

<p>Review of 2010/11 restated International Financial Reporting Standard (IFRS) accounts</p>	<p>April 2011</p>	<p>I have audited most of the work done by the Council to be able to restate the 2009/10 financial statements to comply with the requirements of IFRS. Good quality working papers have been produced to support the transition to IFRS and I am satisfied the Council has made good progress. There has, however, been some slippage against the Council's plans and this puts pressure on the year-end timetable for production of the financial statements. As at 15 June I have yet to audit the re-stated cash flow statement and re-stated notes to the financial statements. I have also yet to agree the fully re-stated accounts to the Council's general ledger.</p>
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Work Flow	Date of completion	Reports / Progress
Audit Commission controls testing. Review of Internal Audit controls testing.	April 2011	Work received from Internal Audit has been delivered on time and is of an acceptable standard. My team's review of Internal Audit testing of financial controls is now complete.
Post statement audit and financial statements opinion.	By 30 September 2011	The results of my work on the 2010/11 financial statements will be reported in my annual governance report which I will present to the September 2011 Audit Committee.
VFM work.	By 30 September 2011	Detailed work to inform the 2010/11 VFM conclusion is largely complete. I will report the results of the work in my 2010/11 annual governance report. The statutory deadline for the 2010/11 VFM conclusion is 30 September 2011. My aim is to complete this work ahead of that deadline and present key findings and recommendations to management and the Audit Committee.

5 I have agreed with officers that my team will take a different approach to the delivery of the audit of the 2010/11 financial statements. I intend to deliver my work in a shorter period of time using a larger audit team. It is my intention that the majority of my post-statement work will be delivered during July 2011. This type of approach has benefits for both officers and my team, but will require some revision to working methods.

VFM conclusion

6 I assess whether the Council has put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

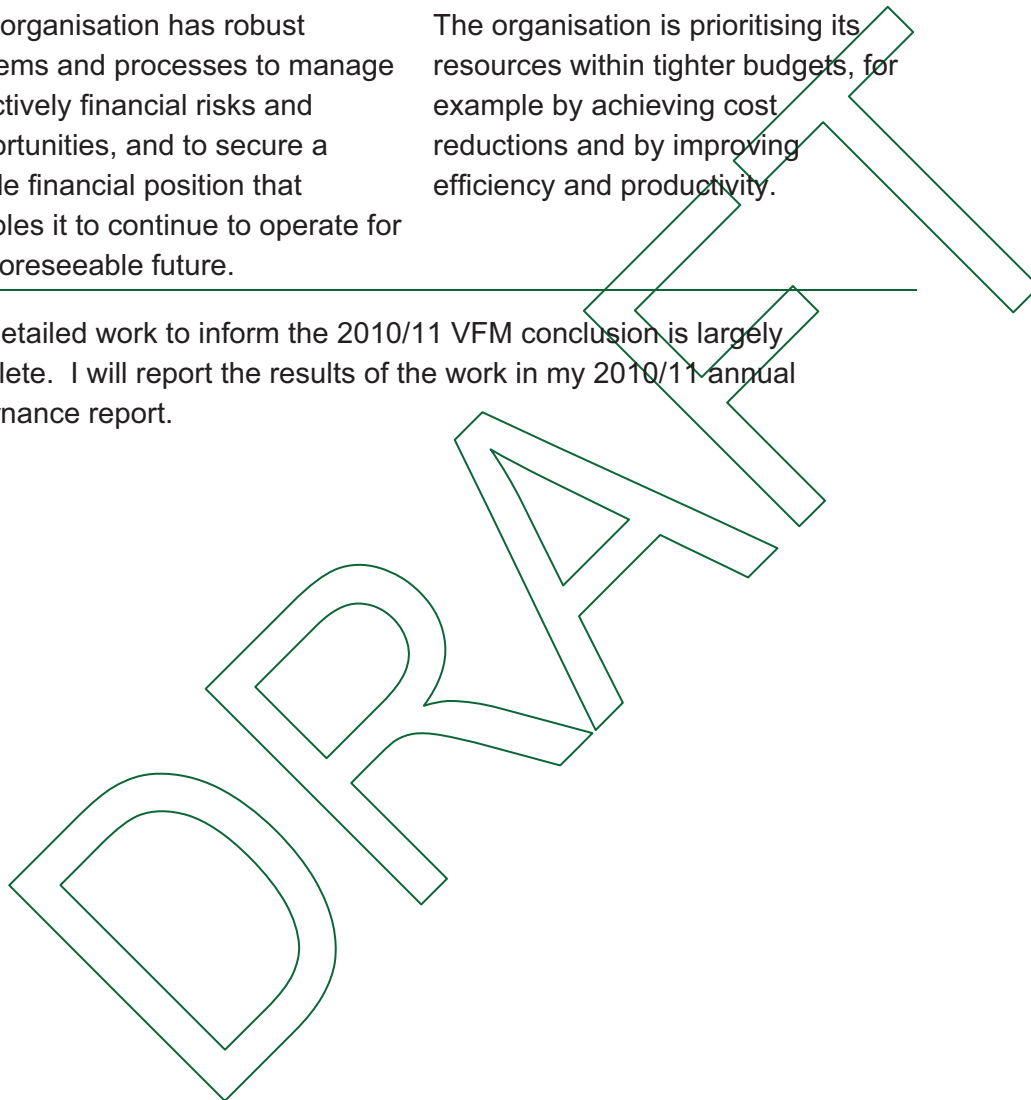
7 From 2010/11, the Commission has introduced new requirements for VFM audit work at local authorities. Auditors will give their statutory VFM conclusion based on the following two criteria specified by the Commission:

Table 2: Specified criteria for the auditor's VFM conclusion:

Criteria 1	Criteria 2
The organisation has proper arrangements in place for securing financial resilience.	The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus of criteria for 2010/11:	
The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

8 Detailed work to inform the 2010/11 VFM conclusion is largely complete. I will report the results of the work in my 2010/11 annual governance report.



Contacts

The key members of the audit team for the 2010/11 are set out below.

Table 3: **Audit team contacts**

Role	Name	Contact Details
District Auditor	Helen Thompson	Tel: 0844 798 1790 e-mail: helen-thompson@audit-commission.gov.uk
Audit Manager	Simon Mathers	Tel: 0844 798 1776 e-mail: s-mathers@audit-commission.gov.uk
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