

Progress report

Northampton Borough Council

Audit 2010/11 and 2011/12

December 2011

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.
- 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) which now enables you to sign-up to be notified of any new content that is relevant to your organisation.

Neil Bellamy

District Auditor

15 December 2011

Performance against plans

5 The tables below show the current position on the main areas of our work for 2010/11 and 2011/12. Changes since our verbal progress report in November are shown in *italics*.

Table 1: **2010/11 Audit and inspection plan**

All 2010/11 work is complete

Area of work	Target completion date	Current position
Audit Plan (fee letter).	April 2010	● Complete. Fee letter issued 28 April 2010.
Use of Resources	September 2010	● All work ceased in May 2010 following the government's announcement to abolish Comprehensive Area Assessment (CAA). Work completed prior to abolition was used to support our 2009/10 VFM conclusion and reported in the Annual Governance Report on 23 September 2010. The Commission has agreed a fee rebate of 1.5%
Managing Performance Assessment	October 2010	● All work ceased for the same reason as above. The Commission will not charge the planned fee of £8,320
Joint working protocol - internal audit	-	● Complete. Issued 11 October 2010
Joint working protocol - financial statements	-	● Complete. Issued 26 January 2011
Audit Opinion Plan.	May 2011	● Complete. Issued 12 April 2011
Annual Governance Report.	September 2011	● Complete. Issued 23 September 2011

Area of work	Target completion date	Current position
Opinion on the financial statements and value for money conclusion.	September 2011	● Complete. Issued 28 September 2011
Annual Audit Letter.	December 2011	● Complete. Issued 20 October 2011
Certification of grant claims and returns: summary report.	February 2012	● Complete. <i>Issued 6 December 2011 and included on the agenda for this committee.</i>

Table 2: **2011/12 Audit plan**

All work is progressing according to plan

Area of work	Target completion date	Current position
Audit plan (fee letter).	April 2011	● Complete. <i>Initial fee letter issued 15 April 2011. Revised fee letter issued 2 June 2011.</i>
Audit opinion plan.	May 2012	● Not yet due. <i>Our interim audit is due to commence in the new year and any matters arising will be reported in the opinion plan. We will seek to place reliance on the work of Internal Audit wherever possible.</i>
Annual governance report.	September 2012	● Not yet due.
Opinion on the financial statements and value for money conclusion.	September 2012	● Not yet due.
Annual audit letter.	November 2012	● Not yet due. <i>Target date subject to change in light of the outsourcing timetable.</i>
Certification of grant claims and returns: summary report.	February 2013	● Not yet due. <i>Target date subject to change in light of the outsourcing timetable.</i>

Other Matters of Interest

Update on the externalisation of the Audit Practice

6 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.

7 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.

8 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.

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

10 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.

Income Generation

11 Income from fees and charges is a key financial area for local authorities with the top ten income streams generating over £7 billion each year.

12 CIPFA has recently produced an updated guide to income generation and much has happened since the earlier editions were published in 2005 and 2008.

13 In 2011, organisations are looking at income in its widest sense as a key factor in their funding equation. The economic downturn has demonstrated the risks associated with excessive reliance on income from fees and charges. However, the Spending Review 2010 has motivated local authorities to evaluate robustly every possible funding source.

14 Rather than just focussing on savings, organisations are increasingly focussing on maximising their income generation opportunities.

15 This new 2011 edition should enable local authorities to make the most of their fees and charges potential. It provides a full update of the charging opportunities available as at March 2011, reflecting recent legislation and regulations.

Code on Data Transparency

16 On 29 September 2011 the Department for Communities and Local Government (DCLG) published the Code of Recommended Practice for Local Authorities on Data Transparency.

17 Subject to consultation, we understand that Ministers are minded to make this Code a legally binding requirement.

18 The Code requires local authorities to publish public data as soon as possible following production even if it is not accompanied with detailed analysis. Where practical, local authorities should seek to publish in real time. As a minimum, the public data that should be released are:

- expenditure over £500 (including costs, supplier and transaction information);
- senior employee salaries, names (with the option for individuals to refuse to consent for their name to be published), job descriptions, responsibilities, budgets and numbers of staff;
- an organisational chart of the staff structure of the local authority including salary bands and details of currently vacant posts;
- the 'pay multiple' - the ratio between the highest paid salary and the median average salary of the whole of the authority's workforce;
- councillors' allowances and expenses;
- copies of contracts and tenders to businesses and to the voluntary community and social enterprise sector;
- grants to the voluntary community and social enterprise sector should be clearly itemised and listed;
- policies, performance, external audits and key inspections and key indicators on the authority's fiscal and financial position;

- the location of public land and building assets and key attribute information that is normally recorded on asset registers; and
- data regarding the democratic running of the local authority including the constitution, election results, committee minutes, decision - making processes and records of decisions.

Guides to Local Government Finance

19 CIPFA has recently issued a comprehensive guide to Local Government finance. This guide reflects proposals for academies, HRA self financing, the future of local audit, police and crime commissioners and social care reform.

20 In addition to the above changes, the guide also looks at the impact the recent cuts have had on local authority finances.

21 In addition to the comprehensive guide, a shorter guide has also been prepared which is aimed specifically at members. It provides councillors with a brief overview of key facts, figures and requirements in relation to local government finance in a more user friendly and handy reference format.

Key Considerations

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

- Has the Council reviewed CIPFA's guide on income generation and is the Audit Committee satisfied that all potential income sources have been identified?
- Has the Council adequate arrangements in place to ensure that it complies with the Code of Recommended Practice for Local Authorities on Data Transparency and that all published information is both accurate and complete?
- Have Members been provided with a copy of CIPFA's guide to Local Government finance?

Contact Details

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

24 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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