

Audit **Committee** **update**

South Hams District 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.

Contents

Introduction	2
Progress report	3
Financial statements – Interim Audit.....	3
VFM conclusion	3
Housing Benefits.....	3
Other matters of interest	4
2012/13 audit fees	4
Local Payment by results – Audit Commission briefing	4
Consultation on auditor appointments from 2012/13	5
Contact details	6

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

Alun Williams

District Auditor

1 June 2012

Progress report

Financial statements – Interim Audit

5 Each year, in support of our audit opinion on the financial statements, we carry out walkthrough tests to confirm our understanding of the key financial systems, to confirm that they have been implemented as designed and to identify risks of material misstatement. We have completed our walkthrough tests of the majority of your main financial systems with the exception of 'Property, Plant and Equipment' which we intend to complete in June 2012. This is undertaken at a later date as the majority of the processes/controls are carried out after the year end.

6 We have not identified any issues to report as a result of our 2011/12 walkthroughs completed to date.

7 We have a joint working protocol with Internal Audit who undertake testing on the key controls within your key financial systems. We plan to rely on Internal Audit's work and will review the results of their work shortly.

8 Each year we are required to evaluate the Council's internal control environment of which IT is a key aspect. We have concluded that the Council has an effective IT control environment, which we plan to rely upon for our "opinion" audit.

VFM conclusion

9 Our work in relation to our Value For Money (VFM) Conclusion is continuing. We will report our findings to you in due course.

Housing Benefits

10 We are currently planning our work on the housing benefits subsidy claim and will begin our testing on 6 June.

Other matters of interest

2012/13 audit fees

11 Following a consultation exercise, the Audit Commission has agreed the work programme and fee scales for 2012/13 audits of health and local government bodies.

12 The Commission has been able to pass on significant reductions in audit fees to audited bodies. These lower fees are fixed for five years irrespective of inflation, and will help public bodies at a time when budgets are under pressure. The Commission has also introduced indicative composite fees for certification work. It sent out letters notifying organisations of the new fees on Wednesday 11 April.

Local Payment by results – Audit Commission briefing

13 On 5 April the Audit Commission published *Local payment by results*, a briefing paper which considers potential issues arising from local authorities using payment by results (PbR) as an approach to commissioning and paying for services.

14 National PbR schemes are developing quickly. Some early schemes include reducing reoffending; diverting young offenders from custodial sentences; helping the unemployed to find work; preventing children from being taken into care; keeping frail older people in their own homes; and improving the management of chronic health conditions.

15 The briefing sets out to help councils understand what PbR might entail. As most schemes are at an early stage, the Commission has identified a range of issues that local commissioners should consider if they are to use PbR successfully, drawing on some national and international examples.

16 The briefing suggests that there are five principles that any PbR scheme needs to meet if it is likely to succeed:

- a clear purpose;
- a full understanding of the risks;
- a well-designed payment and reward structure;
- sound financing; and
- effective management and evaluation.

17 The Commission has sent the briefing to chief executives of all councils, and other key stakeholders.

Consultation on auditor appointments from 2012/13

18 The Audit Commission wrote to all principal audited bodies (with the exception of probation trusts) on 16 April 2012 to consult them on their proposed auditor appointment for five years from 2012/13 to 2016/17 (or for 2012/13 only for strategic health authorities, primary care trusts and police authorities).

19 Where a firm is currently the appointed auditor, in all but one case, the proposal is to extend the appointment until 2016/17.

20 For Audit Practice audits, in all but a small number of cases, the proposal is the winning firm for the relevant contract area. The consultation letters for these audited bodies include an invitation to attend an introductory meeting with the Audit Commission and the firm. The schedule of introductory meetings was communicated to audited bodies on 6 March when the results of the procurement were announced.

Contact details

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

22 Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: www.audit-commission.gov.uk.

Alun Williams

District Auditor

0844 798 5603

07909 936177

al-williams@audit-commission.gov.uk

Mark Bartlett

Audit Manager

0844 798 1250

07779 335723

m-bartlett@audit-commission.gov.uk

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2012.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

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.



Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946