

Progress report

November 2011

Rossendale Borough Council

Audit 2010/11

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
Other Matters of Interest	4
Update on the externalisation of the Audit Practice	4
Income Generation	4
Code on Data Transparency.....	5
Guides to Local Government Finance	6
Protecting the public purse 2011 (November 2011)	6
For information: Fighting Fraud Together	7
Real time data matching (September 2011).....	8
Key Considerations	9
Contact Details.....	10

Introduction

1 The purpose of this paper is to provide the Audit and Accounts 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 and Accounts Committee. At the end of the paper we ask some questions which the Committee may wish to consider to assess whether it has received sufficient assurance on emerging issues.

3 If you require any more information on 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.

Karen Murray

District Auditor

1 December 2011

Progress Report

5 Since the September meeting of the Committee, my predecessor issued the 2010/11 Annual Audit Letter for Rossendale. (see separate agenda item)

6 We have started to plan our 2011/12 audit programme of work.

7 The Table below summarises the main pieces of work that have been recently completed or are in progress or planned.

Planned work	Status	Position at November 2011
2010/11		
Transition to International Financial Reporting Standards (IFRS)	Complete	■ Work completed as part of the audit of 2010/11 financial statements.
Financial statements	Complete	■ Opinion issued on 16 September 2011.
Value for money conclusion	Complete	■ Conclusion issued on 16 September 2011.
Annual Governance Report	Complete	■ Reported to Audit and Accounts Committee 6 September 2011.
Grants	Complete	■ Work on auditing your returns for NNDR, Housing Benefit and Disabled Facilities was finalised by the audit deadline. I will submit a report summarising my work to the next meeting of this Committee.
Annual Audit Letter	Complete	■ Letter issued November 2011.
2011/12		
Interim review of material systems	In progress	■ We are currently planning our review of the Council's material financial systems. This is an important part of our programme, which we complete prior to receiving the financial statements. The focus of the work is on updating our understanding of the Council's material information systems.

Other Matters of Interest

Update on the externalisation of the Audit Practice

8 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.

9 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 (ie 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.

10 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.

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

12 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

13 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.

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

15 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.

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

17 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.

http://learning.cipfa.org.uk/default.asp?content_ref=4952

Code on Data Transparency

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

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

20 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.

<http://www.communities.gov.uk/publications/localgovernment/transparencycode>

Guides to Local Government Finance

21 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.

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

23 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.

<http://www.cipfa.org.uk/panels/lqpp/publications.cfm>

Protecting the public purse 2011 (November 2011)

Fighting fraud against local government

24 In our report 'Protecting the Public Purse 2011: Fighting Fraud Against Local Government', we describe what has happened since 2010 and sets out the findings from our recent fraud survey. 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. Also, councils recovered nearly 1,800 homes from tenancy fraudsters. To build those homes from new would have cost the public purse over £265 million.

25 We identify emerging risks such as fraudulent student council tax discount claims and fraud against social care payments to the elderly and vulnerable. We urge local councils and related bodies to focus on and tackle them, and improve their counter-fraud defences. Our updated checklist also gives organisations another opportunity to consider how effective they are at responding to the risk of fraud.

26 Also available is 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. We have also produced two briefing documents to specifically aid councillors in parish and town councils and governors in schools. These two documents can be downloaded from the website.

<http://www.audit-commission.gov.uk/fraud/protecting-the-public-purse/Pages/ppp2011.aspx>

For information: Fighting Fraud Together

27 In October 2011, thirty-seven organisations joined forces to launch 'Fighting Fraud Together', a new strategy that aims to reduce fraud - a crime estimated to cost the UK £38 billion every year.

28 The organisations involved include the NHS, the Charity Commission, the Department for Communities and Local Government, HM Revenues and Customs and the Association of Chief Police Officers.

29 It is the first time that government, industry, voluntary groups and law enforcement agencies have joined together on such a large scale to sign a joint commitment to tackle fraud.

30 All thirty-seven partners that have signed up to the 'Fighting Fraud Together' strategy will contribute to and be accountable for its success.

31 The strategy and its accompanying action plan place a strong emphasis on preventing fraud through greater fraud awareness and self protection, combined with stronger government and industry prevention systems and controls.

32 Examples of the new initiatives include:

- preventing fraud: Industry and the public sector will develop their intelligence-sharing capabilities to prevent fraud attacks;
- increasing awareness and reporting: A new research tool will help all sectors provide more targeted prevention advice to the public, particularly vulnerable people, and develop a better understanding of small businesses' vulnerability to fraud and the support they need; and
- a more effective enforcement response: Greater intelligence capabilities of the National Fraud Intelligence Bureau will disrupt fraudsters' activities and rapidly close down the channels through which they operate and launder money.

<http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/fighting-fraud-tog/fighting-fraud-together>

Real time data matching (September 2011)

33 In the NFI 2008/09 national report the Audit Commission set out the strategic objectives for NFI. These included 'placing greater emphasis on fraud prevention'. This strategy is aligned with the recommendation of the 'Smarter Government Public Sector Fraud Taskforce' which recommended a shift in focus towards fraud prevention (A Fresh Approach to Combating Fraud in the Public Sector, in March 2010).

34 More recently the Cabinet Office Counter Fraud Taskforce has recommended that the NFI should be deployed 'more widely as a near real-time tool to enable data matching between departments and between central and local government' (Eliminating Public Sector Fraud: Counter Fraud Taskforce interim report – June 2011).

35 The Commission has launched NFI real time data matching. Sitting alongside the established batch data matching work of NFI the new real time data matching assists participants in effectively targeting fraud prevention. By matching data at the point of application NFI identifies anomalies that may indicate fraud before any payments are made.

36 There are many areas where NFI real time matching brings clear and significant benefits to fraud prevention efforts. We therefore have phased the release, to focus efforts on areas of greatest risk/benefit.

Phase 1 (complete) - Real Time Data Matching, preventing fraud against financial institutions

37 In September 2011 NFI launched its real time data matching service designed to prevent fraud against financial institutions by identifying where an applicant has falsely declared they have a right to reside and/or work in the UK.

Phase 2

38 We will consult local public bodies and other key stakeholders on the extension of real time data matching to include payroll and housing benefit data.

Beyond

39 There are many on-going discussions about how best to use this powerful new tool. As these discussions progress they will inform the NFI real time strategy.

<http://www.audit-commission.gov.uk/fraud/nfi/private-sector/services/real-time/Pages/Default.aspx>

Key Considerations

40 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?
- Does the Council have adequate counter-fraud defences?
- Has the Council used the single person discount comparator tool to compare its levels of council tax single person discount with predicted levels?
- Have members been provided with a copy of the two briefing documents from 'Protecting the public purse 2011'?

Contact Details

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

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

Karen Murray

District Auditor

0844 798 7041

07815 880236

k-murray@audit-commission.gov.uk

Tony Hough

Audit Manager

0844 798 7001

07974 753797

t-hough@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 2011.

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