

Audit Commission Progress Report

Thanet District Council

June 2011

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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.

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Introduction

- 1 Our audit is designed to meet the requirements of the Audit Commission's Code of Audit Practice. Under the Code we are required to:
 - give our opinion on whether the financial statements give a true and fair view of the financial position and the income and expenditure for the year; and
 - issue a conclusion on whether the Council has proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 2 We design a programme of work to address the significant operational and financial risks facing you, which impact on our responsibilities. This report outlines progress against the 2010/11 audit plan.
- 3 We will issue quarterly update reports throughout the audit year to keep the Audit and Compliance Committee informed of progress.
- 4 This report sets out progress on the 2010/11 audits. Further details of specific work undertaken are set out in Appendix 1.

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Opinion audit

Overview

5 We have completed the majority of our pre-statements work, with a final visit scheduled in early June 2011. During this period we will finalise our controls testing and complete early substantive testing on the Council's bank reconciliations and housing repairs.

6 We will report back to the Committee in September on the final results of our work. The following are the key areas which we need to raise in this report:

- IFRS
- Shared service payroll.

IFRS

7 We have continued to work with the Council as it prepares for the first year of IFRS. We are pleased to report that the Council has made good progress in its preparations and has now substantially completed its restatement of the previous year accounts.

8 We will review the following areas as part of our post-statements audit:

- Accounting Policies: We will review the 2010/11 policies and disclosure notes against IFRS requirements as part of our work on the financial statements.

Payroll

9 As part of our pre-statements work, we have reviewed the new payroll system provided across East Kent by the shared service provider (the provider). During the course of our work both we and officers identified that some key controls were not operating effectively at the provider. In particular:

- General ledger coding: During the initial period of the contract there appeared to be a lack of controls in place to ensure payroll costs were appropriately classified. Officers had to intervene manually several times to correct errors.
- Data security: Council staff were able to view very high level records relating to a non East Kent client. They were not able to see any personal details for employees or other sensitive information. However the officers did raise concerns about the security of data on the system.
- Incorrect payments: Officers identified incorrect payments made outside the payroll system via CHAPS (relating to other bodies within the shared service). Manual corrections were required to address this.

- Expense and Overtime Claims: Weak controls were identified over expense and overtime forms. These are authorised by Thanet officers and sent directly to the provider for processing. However, the provider do not have authorised signatory lists to confirm appropriateness of authorisation.
- Evidencing of controls: We identified scope for improved documentation of controls by the provider.

10 We have discussed our findings with officers. We understand action has been taken by the provider to strengthen project management and internal controls in addressing the issues raised during the year. We will review arrangements in 2011/12 to confirm controls are now embedded and operating as expected.

11 On this basis, we propose to supplement our controls testing with year end substantive agreement of a sample of payroll items to ensure we have the required assurance for our opinion.

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2010/11 VFM Conclusion

12 As detailed in our last report, the Audit Commission has introduced a new approach to its value for money assessment. In summary, the new approach is intended to be proportionate and risk based. This is based on two criteria, specified by the Commission, related to your arrangements for:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

13 Our review is still in progress and we will conclude our work by September 2011. There are no significant issues arising at this stage which we need to bring to your attention. We will set out full details of our findings in Annual Audit Letter.

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Recent Publications

14 This section of the update report provides reference to our national reports that may be of particular interest to members. If you would like further information on any items, please feel free to contact either your Engagement Lead (Andy Mack 07765 898682) or Engagement Manager (Lisa Robertson 07779 576218).

15 Alternatively, all Audit Commission reports can be found on our website: www.audit-commission.gov.uk.

The final countdown: IFRS in local government (March 2011)

16 The Commission has published the final briefing paper in its countdown to IFRS series, reporting on findings from a January 2011 auditor survey on implementation of IFRS in local government. It outlines key actions authorities should be taking at this stage as follows:

- complete any key outstanding IFRS implementation tasks, such as restatement work, without further delay;
- integrate any remaining tasks into their accounts closedown timetable;
- leave enough time to prepare the increased number of IFRS disclosures and to resolve any remaining financial reporting issues;
- ensure their accounts closedown timetable is realistic, building in enough time and staff resource to deal with issues that will inevitably arise during the closedown period;
- keep their auditors informed on their progress in resolving IFRS financial reporting issues and seek to agree time in advance to review work as they enter the closedown period;
- continue to discuss progress of IFRS implementation with their audit committees; and
- take steps now to ensure that IFRS knowledge and skills are captured and embedded, to enable good financial reporting in future years.

17 As highlighted earlier in this report, the Council is making good progress in this area.

Appendix 1 – Delivery of specific work against audit plan

Table 1: **Audit Progress**

18 The table below sets out the agreed work programme included in the 2010/11 audit plans, with progress to date

Area of work identified in Audit Plan	Planned Output	Actual Output
2010/11 Audit Fee Letters	March 2010	April 2010
2010/11 Audit Plan	March 2011	March 2011
2011/12 Audit Fee Letters	June 2011	April 2011
2010/11 Annual Governance Report	September 2011	
2010/11 Opinion and VFM Conclusion	September 2011	
2010/11 Whole of Government A/c's return	September 2011	
2010/11 Annual Audit Letter	November 2011	
2010/11 Annual Grant Claims Report	January 2012	