

# Audit Committee update

Lancashire County 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.....3

    VFM conclusion .....3

    Other areas of work .....3

**Audit Commission work programme and scales of fees 2012/13 .....5**

**Contact details .....7**

# 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 Audit Commission's work programme and scale of fees for 2012/13.
- 2 If you require any additional information regarding the issues included within this briefing, please feel free to contact me or your Senior Audit Manager using the contact details at the end of this update.
- 3 Finally, please also remember to visit our website ([www.audit-commission.gov.uk](http://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 / Engagement Lead

11 June 2012

# Progress report

## Financial statements

4 My team has completed its work on updating our understanding of key financial systems. They are currently completing any controls and early substantive testing they can at this stage. This includes:

- substantive testing of the year end pension fund investments which we expect to complete by the end of June; and.
- substantive testing of the pro-forma statements produced in preparation for the completion of the Council's group account statements. This work is expected to be completed in early June to inform the final production of the council's group accounts by the end of June.

5 My team is maintaining close liaison with the Council's finance team around technical issues, closedown timetable and audit requirements. These activities minimise the likelihood of any unexpected significant accounting issues arising later on in the closedown or audit process.

6 There are no issues or new audit risks which I wish to bring to your attention.

## VFM conclusion

7 Through meetings with key officers and review of relevant reports, my team and I are currently reviewing the Council's arrangements and progress across those areas which I highlighted in my audit plan. Namely:

- Financial planning and delivery
- Waste Management financial pressures
- BT Partnership/One Connect Contract performance
- Treasury management.

8 There are no issues or new audit risks which I wish to bring to your attention.

## Other areas of work

9 At the request of the Head of Internal Audit I have agreed to complete a detailed review of the work of internal audit. Under the Accounts and Audit regulations 2011, the Council is required to undertake an annual review of its internal audit. Our input was requested this year to provide some external independent assurance over the effectiveness of the internal audit function. The review is being undertaken as an additional service under our advice and assistance powers covering work outside our Code responsibilities. The scope of my work and the additional fee of £9,400 has been agreed with the Treasurer.

**10** The review is being undertaken against established criteria laid down by CIPFA. I expect the final report to be agreed in July 2012 and the results will be reported to the audit committee at its September meeting.

# Audit Commission work programme and scales of fees 2012/13

**11** In April 2012 the Audit Commission published its “work programme and scale of fees for 2012/13”. This document sets out the work the Audit Commission and its auditor’s plan to undertake during 2012/13 and the associated scale of fees.

**12** There are no changes in the work programme auditors are expected to undertake at each body, namely:

- complete a Code audit taking into account the auditor’s local assessment of risk
- audit of the Council’s Whole of Government Accounts return
- the value for money conclusion criteria remain “securing financial resilience” and “prioritising resources”
- certification work on a reducing number of claims and returns.

**13** The Commission expects to publish a small number of national reports on the results of the audits at local government, fire and rescue authorities and police bodies.

**14** The fees to cover the above work and the wider work of the Audit Commission have now been set and published. These are known as the scale fees. The fees set represent a 40% reduction on previous years and have been set for the next five years. Additionally for certification work, the Audit Commission has replaced the previous schedule of maximum hourly rates with a composite indicative fee. This fee is based on actual certification fees for 2010/11 adjusted to reflect the fact that a number of schemes will no longer require certification.

**15** The reductions in fee result from the significant reductions in the Audit Commission’s costs following internal efficiencies and the savings achieved from the outsourcing of its in-house audit practice. The impact for Lancashire County Council is shown below:

Table 1: **Fee scales**

Table header	2011/12	2012/13 and next four years	Difference	
	£	£	£	%
Main audit scale fee	251,100	150,660	100,440	40
Certification work	7,200 (estimate)	3,700	3,500	49
Pension Fund*	67,000	34,169	32,831	49
<b>Total</b>	<b>325,300</b>	<b>188,529</b>	<b>-136,771</b>	<b>42</b>

*\*Note the scale fee for the pension fund is still based on a formula linked to the fund's net assets rather than on the fee set by the auditor in the previous year.*

**16** It is a matter for the auditor to decide the work necessary to complete the audit, and subject to approval by the Audit Commission, to seek to agree a variation to the scale fee with the audited body. As the 2012/13 main audit and certification scale fees for individual bodies are based on the fee for 2011/12, they already reflect the auditor's assessment of audit risk and complexity. Therefore the Audit Commission expects variations from scale fee to occur only where these factors are significantly different from those identified and reflected in the 2011/12 fees.

**17** The Audit Commission is consulting all audited bodies about the appointment of their auditor for the start of the 2012/13 and future years' accounts. The appointments will start on 1 September 2012. Following this appointment, the Council's auditor will complete their risk assessment for the purposes of completing the audit and will provide their audit plan for agreement with the Council.

Further information is available at: <http://www.audit-commission.gov.uk/audit-regime/audit-fees/201213fees/Pages/201213feesandworkprogramme.aspx>



## Contact details

**18** If you would like further information on any items in this briefing, please feel free to contact either me or your Senior Audit Manager.

**19** Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).

Karen Murray

District Auditor

0844 798 7041

k-murray@[audit-commission.gov.uk](mailto:k-murray@audit-commission.gov.uk)

Fiona Blatcher

Senior Audit Manager

0844 798 7056

[f-blatcher@audit-commission.gov.uk](mailto:f-blatcher@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