
Audit and Governance Committee

6 December 2010

Report of the Assistant Director of Finance

Summary of Audit Commission National Reports

Summary

1. This paper gives a brief overview of national reports produced by the Audit Commission (AC), which are all available to view on the Audit Commission website. The last summary, presented to the Audit & Governance Committee in July 2010, covered reports up to 30 June 2010, and the current summary continues from that point up to 31 October 2010. Whilst this report is for information only, it may prompt a request for a more detailed response from council officers, where the content of a specific report may impact on the governance or internal control arrangements of the council.

Background

Report Summaries

2. **Against the Odds – Re-engaging young people in education, employment and training
(Published July 2010)**

This report explains the potential for long term costs, both to society and to the young people affected of being not in employment, education or training (NEET). Schools have an important role to play in prevention, and councils can make a difference to NEET levels by targeting those most at risk. Support for young people will be at risk over the next few years, but the costs to society can be great, given a national NEET level of between 9 and 10 per cent. The paper is accompanied by a guide for scrutiny and a guide to half a dozen key benchmarking points.

3. **Local government pensions in England – an information paper
(Published July 2010)**

This information paper sets out the current basis for the Local Government Pension Scheme (LGPS). It discusses the affordability and fairness of the current scheme, assesses the current financial health of the pension scheme funds, and sets out some alternatives for the future to increase the scheme's financial health. While the LGPS currently has funds to cover three-quarters of its liabilities, and there is a positive cashflow, it is expected that increases

in life expectancy and reduced returns on investments will have a negative impact on funding ratios in the future.

**4. Strategic financial management in councils – delivering services with a reduced income
(Published September 2010)**

Councils face a difficult period of managing services with falling levels of income, and will need to start working to longer time horizons. The paper sets out the five themes of good financial management, to assist councils in assessing how well prepared they are for the future. Strengthening leadership and culture are seen as key to improving a council's financial management. The report also includes a good practice checklist and a self-assessment questionnaire.

**5. The future of local audit – issues for consideration
(Published September 2010)**

While not, strictly speaking, a national report, this paper to CLG acts as an advance warning of potential issues that may arise as a result of the disbanding of the Audit Commission. It summarises the main issues for consideration, which include the complexities of managing the market in audit services, suggestions on a Code of Practice for the appointment of auditors and recommendations on a statutory Code of Audit Practice specifically for local government. The paper also suggest that existing fraud detection work should continue under the auspices of an appropriate body.

**6. Protecting the public purse
(Published October 2010)**

This is the annual report on fraud detection, a vital part of the Audit Commission's work to date, which has detected £135m of fraud in 2009-10. The three types of fraud currently leading to the largest losses are housing tenancy fraud, single person discount (SPD) on council tax, and recruitment fraud, and the report discusses each of these in depth, as well as identifying areas for future work, such as personal budgets and procurement. There is a useful governance checklist at Appendix 1. For a copy of the Executive Summary and Recommendations, see Annex1 to this report (attached).

**7. Financial management of personal budgets
(Published October 2010)**

The increased use of personal budgets for users of social services is leading to major changes in the way that councils manage the budgets for social services as a whole, and will require changes in governance arrangements. In particular, the need for block contracts and for in-house provision of services may decline, while councils will need to devote more time and resources to providing information and managing the allocation of personal budgets.

Consultation

8. The council's corporate Policy Officer has been consulted on the list of reports in this paper.

Options

9. Not relevant for the purpose of the report.

Analysis

10. Not relevant for the purpose of the report.

Corporate Priorities

11. This report contributes to the overall effectiveness of the council's financial, governance and assurance arrangements in the achievement of all its priorities, and in particular the Effective Organisation theme of the Corporate Strategy.

Implications

12.
 - (a) **Financial** – There are no implications.
 - (b) **Human Resources (HR)** - There are no implications.
 - (c) **Equalities** - There are no implications.
 - (d) **Legal** - There are no implications.
 - (e) **Crime and Disorder** - There are no implications.
 - (f) **Information Technology (IT)** - There are no implications.
 - (g) **Property** - There are no implications.

Risk Management

13. By not considering the content of Audit Commission Reports, the council could fail to properly comply with best practice requirements.

Recommendations

14. Members are asked to note the report and comment on any areas for further consideration by the Committee or by officers.

Reason

To ensure that the council can benchmark, learn from and meet best practice requirements derived from external audit national activity and enhance its governance frameworks as a result.

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Report Approved

Date

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Annexes

Annex 1 – Protecting the Public Purse: Summary and Recommendations

Background Papers:

Audit Commission Reports as follows:

- Against the Odds
- Local Government Pensions in England
- Strategic Financial Management in Councils
- The future of local audit
- Protecting the public purse
- The financial management of personal budgets.