

# Audit Committee Progress Report

Nottinghamshire County Council

Audit 2009/10

**February 2010**

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## Status of our reports

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.
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# Summary

- 1** The 2008/09 audit has not been certified as closed. The two matters which are relevant to the certificate have not been resolved yet. I have also recently received from a local government elector a notice of objection to the 2008/09 accounts. I have requested information from the Council's officers to help me hear and decide the objection.
- 2** We have completed our work on the 2008/09 government grant claims or returns which require certification. We issued no qualification reports.
- 3** We have updated our risk assessment for the 2009/10 County Council Accounts audit. An updated audit opinion plan will be presented separately to the Audit Committee. At this stage I am satisfied that the original fee estimate for the opinion audit is still appropriate. We will continue to liaise with officers on the important matters during the remainder of the financial year.
- 4** We have updated our risk assessment for the 2009/10 Pension Funds Accounts audit. An updated audit opinion plan will be presented separately to the Audit Committee. At this stage I do not propose to adjust the fee. I will continue to keep the fee and opinion risks under review as the year progresses.
- 5** We have started the work in support of the 2009/10 Use of Resources Assessment. We have discussed the scope of the review with officers and started to review the evidence provided to date. We will report progress on our assessment to future meetings of the Audit Committee.

# Background

- 6 The statutory requirements governing our audit and inspection work are set out in:
  - the Audit Commission Act 1998;
  - the Local Government Act 1999 (inspection and audit); and
  - the Code of Audit Practice.
- 7 The Code of Audit Practice (the Code) defines our responsibilities in relation to the financial statements and the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We are required to comply with the Code as well as professional auditing guidelines and standards. The Audit Commission mandates annually specific elements of the audit and inspection work. Our respective roles are also set out in the Audit Commission's published Statement of Responsibilities of Auditors and of Audited Bodies. Copies of the Code and the Statement of Responsibilities have been provided to officers to be shared with members of the Audit Committee for their information.
- 8 The 2008/09 and 2009/10 Audit and Inspection Plans were agreed at the Audit Committee's June 2008 and July 2009 meetings.

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# 2008/09 Audit

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## Audit Certificate 2008/09

- 9 The audit opinions were given on the County Council and Pension Funds Accounts on 28 September 2009. The audit was not formally completed and certified as closed owing to two matters which are still outstanding.
- 10 The first related to the exercise of public rights to inspect the accounts, which was delayed as a result of the continuing Court case between the Council and its Waste PFI contractor. Permission to appeal the High Court decision was granted to Veolia on 29 January 2010 and a hearing date is expected to be set in due course.
- 11 Secondly, I was also considering the Council's arrangements for investment of surplus Pension Funds' cash. I am currently reviewing the Council's response to the issues I raised and taking further advice in order to determine what action I should take.
- 12 I received on 25 January 2010 a notice of objection to the 2008/09 accounts from a local government elector. The elector's objection relates to income from certain Penalty Charges monies paid to the Council by motorists. The elector contends that the Council did not have the power to enforce the relevant parking restrictions which led to the Penalty Charges. I have acknowledged the objection and, to help me hear and decide it, have requested a response from the Council to the points the elector has made.

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## Grant claims audit

- 13 We have completed our work on the 2008/09 government grant claims or returns which require certification. No qualification reports have been needed. The results of this work have been included in a separate report for the Audit Committee.

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# 2009/10 Audit

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## Nottinghamshire County Council Accounts Audit

- 14** Since the last Audit Committee meeting we have updated our risk assessment for the County Council Accounts audit and have:
- revisited the assumptions made at the initial planning stage regarding the work required;
  - been updating our documentation of the Council's significant financial systems and carrying out the necessary walk-through testing;
  - taken into account any likely accounts and closedown issues, based on the outcome of the 2008/09 audit work and the requirements of the CIPFA Statement of Recommended Practice 2009 and other guidance relating to the 2009/10 financial statements.
- 15** An updated audit opinion plan will be presented separately to the Audit Committee. At this stage we are satisfied that the original fee estimate for the opinion audit is still appropriate and no adjustment is required. This will be kept under review as the opinion audit progresses. We will continue to liaise with officers on the important matters during the remainder of the financial year. There are no specific points of concern I need to include in this report to the Audit Committee at this stage.
- 16** In order to comply with International Auditing Standards, we are required to confirm our understanding of the processes in place to detect fraud, ensure compliance with laws and regulations and to minimise the potential for litigation and claims which may materially affect the financial statements. We obtain some of our assurance on these matters through asking key questions of management and those charged with governance.
- 17** A separate report summarising these questions and the arrangements in place will, as in previous years, be presented to the Audit Committee by your officers.

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## Pension Funds audit

- 18** We have also updated our risk assessment for the audit of the two pension funds, following a similar process to that carried out for the County Council audit. Our work includes reviews of financial systems which are specific to the pension funds, such as the controls within the systems operated by the County Council and at Admitted Bodies regarding employee contributions.
- 19** An updated audit opinion plan will be presented separately to the Audit Committee. The 2009/10 fee was initially set, in April 2009, with regard to the general level of risk as reflected in the updated 2008/09 fee. This took into account the requirement to issue separate opinions for the two pension funds, the specific and inherent risks identified and the audit work required which included obtaining sufficient assurances

from third parties regarding employee contributions receivable and investments. The level of risk is largely unchanged and I do not, at this stage, propose to adjust the fee. The fee remains though well below the Audit Commission's scale fee and I plan to keep it under review as the audit progresses. If I need to make any significant amendments during the course of the audit I will discuss this with the Service Director (Finance) and outline the reasons for any increase for communication to the Audit Committee.

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# Use of Resources

- 20** Last year we completed the new use of resources assessment, based on revised Key Lines of Enquiry (KLOE), during the summer months. This work contributed to the organisational assessment and was part of the Comprehensive Area Assessment which we reported in December 2009. We fed back to officers, following the assessment, on the main areas for improvement and included a summary in the Annual Audit Letter which was presented to the Audit Committee's last meeting.
- 21** The key lines of enquiry specified for this year's assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. The criteria remain largely unchanged from that applied last year, although the Managing Natural Resources KLOE is replaced by one which assesses whether the Council is planning, organising and developing its workforce effectively to support the achievement of its strategic priorities. The Commission is committed to carrying out a fundamental review of its current approach to local value for money audit work, including use of resources, with a view to making changes with effect from 2010/11.
- 22** The Audit Commission's guidance for this year promotes a risk-based approach that builds on the baseline established in 2008/09, against which we will assess progress. For the KLOE assessed in 2008/09, we are expected to take into account relevant evidence of what has changed in 2009/10 and what difference those changes have made in practice.
- 23** We have met with officers to discuss the approach to the assessment, the main areas of focus, information requirements and timescales. We plan to complete much of the work between February and March 2010 to enable us to meet the Audit Commission's earlier deadlines for this year. We will report progress on our assessment to future meetings of the Audit Committee.



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# The Audit Commission

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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