

# Progress Report

## March 2010

Brent London Borough

Audit 2009/10

**Audit Committee 3 March**

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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

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## Introduction

- 1 The purpose of this progress report is to brief the Audit Committee on work currently being planned or undertaken by the Audit Commission.

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## Audit Progress

- 2 The 2008/09 Accounts memorandum was presented at the previous Audit Committee. The Council has completed and agreed the action plan.
- 3 We have completed our Grants report and agreed the action plan with officers. This is included on the agenda for the Audit Committee.
- 4 We agreed the 2008/09 Annual Audit Letter with the Chief Executive and Director of Finance and Corporate Resources on the 15 December 2009. The Annual Audit Letter was presented to an Executive meeting of the Council on the 18 January 2010. This is included on the agenda for the Audit Committee.
- 5 Our 2009/10 audit has commenced. We have completed our initial planning procedures and are currently performing our review of key financial systems.
- 6 We have agreed our supplementary opinion plan with the Director of Finance and Corporate Resources. We propose an additional fee of £10,000. This increase follows a review of the 2008/09 audit, where we found additional work was required to gain assurance from different accounting systems and devolved processes used within the Council. The opinion plan is included on the agenda for the Audit Committee.
- 7 We have prepared and agreed our supplementary opinion plan for the Pension Fund with the Director of Finance and Corporate Resources. This will be presented to the Pension Fund Committee on the 23 February 2010. As the Audit Committee is considered to be 'Those charged with Governance for the Pension Fund, we have included the opinion plan on the agenda for your review. ISA 260 defines governance to be the role of persons entrusted with the supervision, control and direction of an entity. Those charged with governance ordinarily are accountable for ensuring that the entity achieves its objectives, with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties.
- 8 We have finalised one of the performance reviews detailed in our Audit plan. This is detailed below.
  - Since 2003, we have undertaken three separate reviews of the Council's HR service. Our reviews found the service historically weak with some improvements during this review period. We have followed up recommendations from our most recent report in 2008. This has been reported and agreed with officers. This report is included on the agenda for the Audit Committee.

- 9 An IFRS survey was performed at all Local Authorities at the end of 2009. We have included the key findings from this survey in this report.

# International Financial Reporting Standards

- 10 Local government financial statements will be required to comply with International Financial Reporting Standards (IFRS) starting from the 2010/11 financial year. The 1 April 2009 opening balances and the financial statements for 2009/10 will need to be restated to comply with IFRS. These will be reported as comparative figures for the 2010/11 financial statements.
- 11 The Audit Commission is undertaking a national study on the implementation of IFRS in local government. This study will assess the progress being made by single tier, county and district councils, fire and rescue authorities and police authorities towards preparing IFRS-based accounts. The Commission is aiming to determine what progress local authorities have made in implementing IFRS as at November 2009 and to identify the key challenges faced by local authorities in their implementation. The Commission will use the survey to provide evidence of progress made and to help identify operational and technical challenges facing audited bodies. A further phase 2 two of the survey will be carried out early in 2010 to assess progress.
- 12 We completed the survey at the Council to assess the Council's arrangements as at November 2009 and have discussed our findings with Council officers. Our assessment for the Council highlighted that there are a number outstanding areas to be resolved:
  - The Council is reviewing the accounting treatment of its four PFI contracts and has engaged PriceWaterhouseCoopers (PwC) to assist with its review. The review is likely to result in the PFI assets and liabilities needing to be recorded on the balance sheet. The 2009/10 financial statements will need to reflect the change in accounting policy and a prior period adjustment for these items;
  - The Council is also reviewing its leases and service concessions. Information is being collected from departments across the Council to determine the number and value of leases that exist where the Council is a lessee or lessor. The Council is also obtaining advice from PwC regarding the treatment of some of its more complex leases. The Council will need to consider if any of its leases need to be re-classified and reflect the changes in the 2010/11 financial statements;
  - IFRS requires changes to the accounting of employee benefits, particularly for accruing annual leave entitlement. The Council has performed a review quantifying the impact of an annual leave accrual as at 1 April 2009 for Council and school employees. The accrual for annual leave entitlement will need to be re-considered at the end of each financial year;
  - The Council has yet to review IFRS guidance for the preparation of group accounts and the treatment for pension funds. This may result in additional requirements not yet considered by the Council.

- 13 We will continue to work with officers to monitor progress in addressing the issues highlighted above.

### Transition arrangements

- 14 The 2009 Local Authority Statement of Standard Accounting Practice (SORP) requires Public Finance Initiative (PFI) and similar contracts to be accounted for in a manner that is consistent with the government's Financial Reporting Manual (FREM) in 2009/10, as this will assist in the transition to IFRS for 2010/11. The FREM covers all public sector bodies, except for Local Government and the NHS and is already IFRS compliant.
- 15 This brings forward one of the most significant changes from UK GAAP to IFRS from the 2010/11 conversion to the current year.

### Recent Audit Commission publications

- 16 The Audit Commission produces a regular Councillors' Update. This e-mailed newsletter aims to keep councillors up to date with the Commission's current work, such as CAA, national reports and studies. News stories containing details of specific tools and case studies will direct councillors to information that they can use in their work. If you have not automatically received your copy of Councillors' Update, please subscribe via the following link:

[Councillor Update newsletter - Audit Commission](#)

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### Giving children a healthy start (3 February 2010)

This report assesses the local implementation of national policy from 1999 to 2009 on the health of children from birth to five years of age in England

It examines local service planning and delivery, including priority setting, and how local bodies can improve service delivery and access for vulnerable groups such as black and minority ethnic (BME) communities, lone and teenage parents.

The report discusses the impact of government funding on health outcomes for the under-fives; how effectively local bodies manage their resources; and the extent to which they are providing good value for money.

Key findings are as follows.

- Local authorities (LAs) and primary care trusts (PCTs) are aware of the key health issues affecting the under-fives in their areas, but this was not always reflected in strategic plans, and was rarely given priority in local area agreements (LAAs)
- Children from minority groups have poorer health outcomes and their parents are less likely to access mainstream health services due to lack of awareness or cultural preferences. Local bodies need to tailor and target their service provision appropriately, for these groups. But few LAs and PCTs included in the research had a rigorous approach to identifying the take-up of existing services and addressing any gaps.

It provides recommendations for national and local bodies that include the following.

- Ensuring that their Children and Young People's and Operational plans contain appropriate and challenging targets for improving the health of the under-fives that are jointly set and consistent with each other.
- Being clear about where accountability for commissioning and delivering services lie.
- Having a clear understanding of the resources being allocated to under-fives and the impact on health outcomes.
- Assessing rigorously the take-up of services and improving engagement with parents and service users to raise awareness of, and increase access the services.

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### Testing Times: the impact of the recession on benefits services (22 December 2009)

The report is based on the findings of a survey carried out in 2009. The survey asked Heads of benefits services in English councils about the impact of the downturn. Sixty-nine per cent of councils that responded to the survey said the recession had affected strategic and planning for benefit services in 2009/10. The published report contains descriptions of key issues councils in England are facing and strategies they are using to lessen the impact of the downturn.

Some key findings from the report include the following.

- Between April 2008 and April 2009, caseloads increased in all types of council and all regions.
- In the six months before April 2009, applications for discretionary housing payments increased in 69 per cent of councils surveyed. Eighty-two per cent reported higher demand for debt counselling.
- All councils received additional funds from the Department for Work and Pensions in 2008/09 to help them deal with higher caseloads; the most common use of the money was to pay for more staff.
- Seventy per cent have changed their strategy or operational plans for 2009 to address increases in demand. Changes have included reviewing job roles and activities, more use of telephone interviews, IT solutions and increasing staff numbers.
- Twenty-eight per cent of Heads of benefits services were more concerned about fraud in June 2009 than in June 2008. They felt that higher caseloads might reduce the staff resources available for preventing and detecting fraud and error.
- Some stated that they were struggling to manage the additional demand on their services.
- Delivering benefits accurately and on time helps prevent homelessness, indebtedness, can reduce child poverty, and gives those seeking work a safety net between jobs. Good benefit services matter. They are of increasing importance as more people apply for, and receive, benefits because of the recession.

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### Auditing the accounts: Quality and timeliness of local government financial reporting (17 December 2009)

On Thursday 17 December the Audit Commission published an open letter to Secretary of State for Communities and Local Government, John Denham MP, on the quality and timeliness of financial reporting by local government. The letter names the authorities that did not have audited accounts for 2008/09 by 30 November or whose accounts have been qualified. It urges the Secretary of State to do more to emphasize the importance of this fundamental aspect of local authorities' performance and to follow up the letter with the authorities concerned.

The correspondence is supported by three national reports entitled 'Auditing the Accounts' - one each for local authorities, fire and rescue authorities, and police authorities. These reports summarize auditors' work on the 2008/09 accounts, the



## International Financial Reporting Standards

results of the 2008/09 use of resources assessments and the public interest reports and statutory recommendations issued by auditors in 2008/09

Some key findings from the report include the following.

- Local authorities were required to approve their 2008/09 accounts by 30 June 2009. This deadline was achieved by 94 per cent of local authorities. Fourteen authorities (4 per cent) failed to achieve this deadline;
- Local authorities were required to publish their 2008/09 audited accounts by 30 September 2009. This deadline was missed by 43 local authorities (11 per cent).
- The Audit Commission Act 1988 requires auditors to give an opinion on the accounts of local authorities. An unqualified opinion is referred to as a standard opinion. There are four other types of opinion that can be given, including an adverse opinion where there is disagreement over a material item that leads the auditor to conclude that the whole statement of accounts are misleading or incomplete. For 2008/09 there were 11 non standard audit opinions given the accounts of local authorities.

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### Oneplace (8 December 2009)

The Audit Commission, along with five partner inspectorates have launched their first joint judgement on the Oneplace website at <http://oneplace.direct.gov.uk>. The Oneplace website provides assessments of performance on the environment, services provided for children and young people, raising school standards and cutting disparities in health, and marks a more streamlined approach with auditors and inspectors coming together to publish their findings together and making them directly available to the public in everyday language.

Oneplace divides the country into 152 areas, measuring how well local services work together to meet both their own priorities and government indicators on, for example, anti-social behaviour and teenage pregnancy. The website uses green flags to highlight exceptional performance others can learn from. Red flags signal where problems won't be solved without a fresh approach by the local public services working together.

Example findings for London include the following.

- Ealing gets a green flag for impressive numbers of looked after children and care leavers going into Further and Higher education. This is the result of making these young people a high priority across the Council combined with imaginative ways of supporting and engaging with them. For example, older care leavers are trained to be positive role models for 15 years old, just about to do their GCSEs. This results in children becoming more strongly motivated to learn.
- Haringey was given a red flag due to significant concern that children and young people are not yet consistently safeguarded. Ofsted judged capacity to improve in safeguarding services within the Council and across the partnership as limited overall.

- Kensington and Chelsea gets a green flag for reductions in the level of crime. As a result of local services working together and the effective use of uniformed officers there are significant and lasting falls in crime in the Royal Borough of Kensington and Chelsea. All types of crimes are reducing in the area including robbery, car theft and race and religious hate crimes. The area has won national recognition for its work on reductions in burglary from homes.
- Tower Hamlets gets a green flag for engaging and empowering local people. The Partnership has been very successful in involving local people in decisions about services which affect their daily lives. This approach is at the centre of everything local public services are doing to achieve 'One Tower Hamlets'. Recent survey results have confirmed that more people than elsewhere in London are kept informed on how public services are performing. A notable achievement is that a lot more people in Tower Hamlets than in London, or nationally, believe they are able to influence decisions affecting their area.

# Appendix 1 – Key Deliverables 2008/09

**Table 1 Progress on Key Deliverables for 2008/09**

<b>Product</b>	<b>Timing</b>	<b>Current position</b>
<b>Planning</b>		
Audit Plan	January 2008- March 2008	Plan presented to Audit Committee in September 2007
<b>Opinion</b>		
Work on financial systems	January 2008 – June 2009	Completed
Financial statements; <ul style="list-style-type: none"> <li>• opinion;</li> <li>• Annual Governance Report; and</li> <li>• opinion memorandum</li> </ul>	July - September 2009	Completed and opinion issued on 28 September 2009 Annual Governance report issued September 2009 Opinion memorandum issued December 2009
<b>Use of Resources</b>		
Health Inequalities phase 1 phase 2	May 2009 October 2009	Final report issued Set up meeting in July 2009
Data Quality	July 2008 - November 2008	Completed and report issued December 2008.
Value for money conclusion	June 2009 to September 2009	Completed and opinion issued on 28 September 2009
Use of resource judgements	August - November 2008	Use of Resources scores issued. Report issued December 2009.
<b>Inspection</b>		
Direction of Travel	October 2008- January 2009	Work completed and Direction of Travel wording and scores issued 15 January 2009.
<b>Reporting</b>		
Annual Audit and Inspection Letter	February - March 2010	Discussed with CE and DOF

# Appendix 2 – Key deliverables 2009/10

**Table 2 Progress on Key Deliverables for 2009/10**

Product	Timing	Current position
<b>Planning</b>		
Audit Plan	January 2009- March 2009	Plan presented to Audit Committee in June 2009
<b>Opinion</b>		
Work on financial systems	December 2009 – June 2010	This is in progress. We have completed our Opinion plan and presented to Audit Committee in March 2010
Financial statements; <ul style="list-style-type: none"> <li>• opinion;</li> <li>• Annual Governance Report; and</li> <li>• opinion memorandum.</li> </ul>	July - September 2010	
<b>Use of Resources</b>		
Health Inequalities phase 1 phase 2	May 2010 October 2010	Phase 1 completed and report issued. Phase 2 commencing
Performance management follow up	June 2009 to December 2009	Review completed, we are in the process of agreeing the report with officers
HR follow up	December 2009 to February 2010	Review completed, and report presented to Audit Committee in March 2010
Project management review	January 2009 to March 2010	
Value for money conclusion	June 2010 to September 2010	

## Appendix 2 – Key deliverables 2009/10

<b>Product</b>	<b>Timing</b>	<b>Current position</b>
Use of resource judgements	February to July 2010	Our Use of Resources assessment has begun. We have arranged meetings to see key officers and members. We will also review documentation provided by officers in relation to specific Key Lines of Enquiries (KLOEs).
<b>Inspection</b>		
Direction of Travel	October 2009- January 2010	
<b>Reporting</b>		
Annual Audit and Inspection Letter	December 2010	

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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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## Copies of this report

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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