

Audit & Inspection Progress Report

Salford City Council

Audit 2009/10

Date **April 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 of progress to date

- 1 We reported to the Audit and Accounts Committee in January 2010 on the progress that we had made so far in completing our agreed programme of work for 2009/10. This report now provides a further update on that work.

Programmed work

- 2 Progress in completing our audit of 2009/10 is on track in accordance with the agreed plan.
- 3 The Table below summarises the main pieces of work that have been recently completed or are in progress or planned.

Planned work	Status	Position at April 2010
Interim review of material systems	In progress	We have commenced our review of the Council's material financial systems. An important part of our programme is the interim work which we complete prior to receiving the financial statements. The focus of this work is on updating our understanding of the Council's material information systems.
Use of Resources	In progress	Our use of resources assessment for 2009/10 is in progress and covers three themes: <ul style="list-style-type: none">• Managing finances• Governing the business• Managing resources Feedback meetings with officers were held on
School balances	Ongoing	We are continuing to monitor the outcome of actions being taken by the Council to ensure the schools have effective action plans in place to move out of deficit within an acceptable period of time. The Audit Manager met with the School Balances Sub Group on 27 January 2010 to provide an update on the current involvement of the Audit Commission in respect of school balances.

Audit Commission - national reports

- 4 We have included at Appendix 1 below a summary of the Audit Commission's recent national reports and developments that are relevant to the Council.

Appendix 1 – Audit Commission national reports and developments

Protecting the public purse (September 2009)

This report considers the key fraud risks and pressures facing councils and related bodies and identifies good practice in fighting fraud. It has never been more important that councils fight fraud. Every pound lost to cheats is a pound that cannot be used for people in real need. The report identifies specific risks that are often not adequately addressed, to do with housing tenancy, council tax and recruitment fraud.

The Commission found housing tenancy fraud could be tying up at least 50,000 council and housing association properties worth more than £2 billion, while queues for homes have increased by more than 50 per cent over the last six years. The number of people in need of social housing is predicted to rise to 2 million by 2011.

Council taxpayers could be losing almost £2 million a week to fraudsters claiming a 25 per cent single person discount on their council tax. The discount can be claimed by householders where there are no other residents aged 18 or over living at an address.

The report provides an overview of the threats of fraud facing councils. It calls on them to urgently reassess their counter fraud plans and to ensure that staff understand, and have faith in, whistle-blowing arrangements.

The report is supported by a range of materials including:

- a summary and recommendations
- an extended summary including case studies and more
- a checklist for councils to help ensure that they have sound governance and counter-fraud arrangements that are working as intended (found at the back of all documents)

If you have any questions about the report contact Derek Elliott, Head of Governance and Counter Fraud, email: derek-elliott@audit-commission.gov.uk or tel: 0844 798 2313.

<http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/20090915protectingthepublicpurse.aspx>

Under pressure - Tackling the financial challenge for councils of an ageing population (February 2010)

Councils face the challenge of an ageing population as public spending reduces. This report says most councils do not know enough about the costs of their ageing population. They may also miss the savings that could flow from preventive services and better work with other organisations.

http://www.audit-commission.gov.uk/localgov/nationalstudies/underpressure/Pages/default_copy.aspx

Oneplace national overview report (February 2010)

This report looks at the findings from the first year of Comprehensive Area Assessment (CAA). It is published by the six inspectorates responsible for assessing local public services in England - the Audit Commission, Care Quality Commission, Her Majesty's Inspectorates of Constabulary, Prisons and Probation, and Ofsted.

The report complements local reporting of CAA through the website www.direct.gov.uk/oneplace. It explains what the first year of CAA has told us about how well local public services are delivering national and local priorities and spending £200 billion of public money. It sets out what we know about what helps and hinders improvement in local public services, to guide national and local policymakers. The report also provides information for local leaders and highlights examples of how their peers have overcome some of the common challenges they face.

<http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/oneplacenationaloverview.aspx>

Popular 'financial health checker' now expanded to include district councils (February 2010)

An Audit Commission online service that allows councils to check and compare their financial performance now includes data for England's 210 district councils.

The [Local Government Ratios Tool](#) has proved a popular ready reckoner so far with 150 county and single tier councils. The Commission introduced it alongside the national report [Summing up: A review of financial management in local government 2005-2008](#) published last April.

<http://www.audit-commission.gov.uk/pressoffice/pressreleases/Pages/popularfinancialhealthcheckernowexpandedtoincludedistrictcouncils.aspx>

National Fraud Initiative (NFI) (Feb 2010)

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public.

Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), an exercise that matches electronic data within and between audited bodies to prevent and detect

Appendix 1 – Audit Commission national reports and developments

fraud. This includes police authorities, local probation boards and fire and rescue authorities as well as local councils. To date, an estimated £450 million of fraud and overpayments have been identified from this work and the initiative has attracted international recognition. In 2006/07 this approach led to £140 million of fraud and overpayments being detected. The Commission's report on National Fraud Initiative 2008/09 will be published in May 2010 and will highlight the main issues arising from this latest exercise.

The use of data for NFI purposes continues to be controlled to ensure compliance with data protection and human rights legislation. A revised Code of data matching practice was published and laid before Parliament on 21 July 2008 and replaces the previous Code published by the Commission in 2006.

<http://www.audit-commission.gov.uk/nfi/Pages/default.aspx>

National Fraud Initiative 2010/11 work programme and scale of fees (March 2010)

The consultation on the proposed work programme and scale of fees for National Fraud Initiative (NFI) 2010/11 ran between 30 November 2009 and 19 February 2010.

The Audit Commission has considered the small number of responses we received to the consultation, and has confirmed the work programme and scale of fees for NFI 2010/11.

The NFI is run over a two-year period, so the scale of fees covers the two financial years 2010/11 and 2011/12. We will bill for these fees in two equal annual instalments.

Respondents generally supported the Commission's decision, to recognise the financial pressures that public bodies are facing in the current economic climate, by keeping the scale of fees the same as for NFI 2008/09. They also raised some specific points, which we have responded on directly to the organisations concerned.

<http://www.audit-commission.gov.uk/SiteCollectionDocuments/MethodologyAndTools/Guidance/20100324nfiworkprogrammescalooffees.pdf>

The truth is out there - A discussion paper (March 2010)

This discussion paper looks at how the public sector can improve information made available to the public. It follows our publication in November 2009, [Nothing but the truth](#) that looked at the reliability of facts and figures used by public service providers and decision-makers such as councils and health trusts, social workers, doctors and police.

The next document in our 'Truth' series, 'The truth is out there' poses questions such as 'What information will capture the public's imagination?' and 'How will the public know what information to trust?'

http://www.audit-commission.gov.uk/localgov/nationalstudies/thetruthisoutthere/Pages/default_copy.aspx

By mutual agreement - Severance payments to council chief executives (March 2010)

The study looked at council chief executives' job moves over 33 months, and found that:

- agreed severance packages for 37 council chief executives totalled £9.5 million, 40 per cent of which was in pension benefits;
- three in every ten outgoing council chief executives received a pay-off;
- only six took up other senior council jobs within a year;
- one in seven single tier or county councils had paid off a chief executive, and this rate seems to be growing; and
- the average cost to councils of each severance package was almost double the annual basic salary, but in four cases was more than triple.

Severance deals can be in the interests of the council and the taxpayer. But our research shows that not all such deals are justified, that competent chief executives have sometimes lost their jobs needlessly, and that less effective individuals have been paid-off rather than dismissed.

The Commission wants all deals to be more transparent. They should be reviewed by scrutiny or remuneration committees, with details published shortly after they are agreed. And councils should consider whether to include so-called 'pre-nuptial' clauses in contracts, specifying the grounds and payment for severance.

The report found that rapid re-employment in local government is unusual – only six out of the 37 returned to a senior council post within a year, and over 80 per cent have yet to return to local government. However, a way should also be found of recouping some of a pay-off where an executive moves quickly into another top council job.

In the interests of openness and transparency, the Audit Commission is making submissions received, following our call for evidence, for the By Mutual Agreement: Severance payments to council chief executives study available. These can be viewed below. A copy of responses from members of the public and notes from briefings from two other organisations will be placed in the House of Commons library. The current document will be updated to include these responses shortly

http://www.audit-commission.gov.uk/localgov/nationalstudies/bymutualagreement/Pages/default_copy.aspx

Surviving the crunch - Local finances in the recession and beyond (March 2010)

This report is the third in a series of publications looking at the impact of the credit crunch and subsequent recession on local authorities.

It says that councils must think bigger and act quicker to reduce costs, or funding cuts will cause more damage to services and jobs than is necessary. Most councils have been cushioned from the worst of the recession because the government stuck to its three-year funding settlement. But this ends in 2011. On average, councils receive two-thirds of their income from grants.

Appendix 1 – Audit Commission national reports and developments

Even though the timing and extent of cuts in government support are unclear, the report says that councils must prepare now for leaner times. The sooner they get clarity the better. The best-prepared councils are taking action now to preserve services in the years ahead, but others have yet to make any financial plans beyond 2011.

http://www.audit-commission.gov.uk/localgov/nationalstudies/survivingthecrunch/Pages/default_copy.aspx

Code of audit practice (March 2010)

The Codes of Audit Practice (the Codes) define the scope, nature and extent of local audit work.

There is a separate [code of audit practice for local government](#) and a [code of audit practice for the NHS](#), primarily to reflect the increasingly divergent accounting, corporate governance and performance management frameworks in the two sectors.

The Commission has a statutory duty to prepare, and keep under review, codes of audit practice prescribing the way in which auditors must carry out their functions under the Audit Commission Act 1998 (the Act). The Codes must embody what appears to the Commission to be the best professional practice with respect to the standards, procedures and techniques to be adopted by auditors.

Parliament approved the current Codes on 9 March 2010. There are only minimal changes to the Codes which will come into effect immediately.

The Codes are high level documents, which focus on the Audit Commission's core requirements and aspects of audit specific to its regime.

Each Code:

- sets out the general principles to be followed by auditors in delivering their objectives;
- outlines their responsibilities regarding the audit of financial statements and use of resources; and
- sets out the range of outputs through which the results of audit are reported.

The Commission's [Statements of Responsibilities of Auditors and Audited Bodies](#) support the Codes and have therefore been updated to align with the new Codes. The 'Statements of Responsibilities of Auditors and Audited Bodies' assist auditors and audited bodies by summarising where - in the context of the usual conduct of an audit - the different responsibilities of auditors and of the audited body begin and end, and what is to be expected of the audited body in certain areas. As with the Codes, the Commission has prepared separate statements of responsibilities for local government and the NHS.

The new statements of responsibilities will apply to 2010/11 audits.

<http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/Pages/statementresponsibilities.aspx>

<http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/Pages/codeofauditpractice.aspx>

Independent reports will help CAA improvement (March 2010)

The two independent reports evaluating the impact and cost of the first year of Comprehensive Area Assessment will help the inspectorates improve the assessment framework.

The inspectorates, including the Audit Commission, Care Quality Commission, HM Inspectorates of Constabulary, Prisons and Probation, and Ofsted, welcomed the feedback and learning the reports provide.

The inspectorates are encouraged that the [Shared Intelligence \(external link\)](http://www.sharedintelligence.net/) report shows widespread support for the principles of the new approach; that the new CAA Lead role has been well received; and that inspectorates have made progress in focusing on outcomes and local priorities. Most importantly, the inspectorates welcome the early signs that the new approach has prompted better working across some local public services.

<http://www.sharedintelligence.net/>

The report by the [Office for Public Management \(external link\)](http://www.opm.co.uk/) suggests that the overall cost to councils of the new assessment system was at least 15 per cent less than that of Comprehensive Performance Assessment (CPA). However, there were wide variations between similar councils and the cost to district councils was five per cent higher.

<http://www.opm.co.uk/>

The inspectorates recognise that the new approach was a significant change for both inspectors and inspected, and that there were implementation challenges in year one. More needs to be done to demonstrate a fully joined-up approach between inspectorates, and to address the view of inspected organisations that the cost and effort required to administer the process was not reduced in the way they had expected.

The inspectorates have published a detailed response, alongside a [joint press release](http://www.audit-commission.gov.uk/pressoffice/pressreleases/Pages/inspectoratesrespondtoindependentreviewsocaa.aspx).

[http://www.audit-](http://www.audit-commission.gov.uk/pressoffice/pressreleases/Pages/inspectoratesrespondtoindependentreviewsocaa.aspx)

[commission.gov.uk/pressoffice/pressreleases/Pages/inspectoratesrespondtoindependentreviewsocaa.aspx](http://www.audit-commission.gov.uk/pressoffice/pressreleases/Pages/inspectoratesrespondtoindependentreviewsocaa.aspx)

<http://www.audit-commission.gov.uk/localgov/audit/CAA/caareview/Pages/default.aspx>

Countdown to IFRS - Identifying and accounting for leases (March 2010)

In [Countdown to IFRS](http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/financialmanagement/ifrs/Pages/countdowntoifrs.aspx), published in February 2010, we said that we would be issuing a series of briefing papers covering the technical issues local authorities need to address now if they are to achieve a smooth transition to IFRS. This is the first in that series and looks at the issues arising from the introduction of International Accounting Standard (IAS) 17: Leases.

[http://www.audit-](http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/financialmanagement/ifrs/Pages/countdowntoifrs.aspx)

[commission.gov.uk/localgov/audit/auditmethodology/financialmanagement/ifrs/Pages/countdowntoifrs.aspx](http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/financialmanagement/ifrs/Pages/countdowntoifrs.aspx)

In our November 2009, survey, auditors assessed only 14 per cent of authorities as on track to deliver IFRS financial statements compliant with IAS 17 for 2010/11. Twenty-seven per cent were assessed as having major issues and 59 per cent with minor issues.

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Authorities need to have a detailed plan to ensure they identify all arrangements falling under IAS 17 and that they account for such arrangements correctly. This briefing paper sets out some of the key issues and practical examples that authorities should consider as part of their work on the review of lease arrangements.

<http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/financialmanagement/ifrs/Pages/identifyingaccountingforleases.aspx>

New value for money (VfM) profiles launched (March 2010)

The Commission has launched new value for money (VfM) profiles for PCTs, fire and rescue authorities, police authorities and councils. These are more user-friendly, have a clearer focus on VfM, track levels of spend to assess the impact of improvements, and compare spend and performance to other bodies.

The tools are a 'can opener' for highlighting areas where costs and or performance look out of line and can help local services identify where there may be potential for savings. They also contain useful background and context information to help you to understand VfM issues for each service area.

<http://vfmm.audit-commission.gov.uk/RenderReport.aspx?Gkey=282VqlaaVSLhf8izWEP0TODL6gywy9mIA6o%2bD1QFon2tve0r3eelWw%3d%3d>

Upcoming local government studies

Council publicity expenditure (Spring 2010)

In June 2009 the "Digital Britain" report invited the Audit Commission to undertake a specific inquiry into the prevalence of local authorities taking paid advertising to support local authority information sheets and the impact of this practice, and to make recommendations on best practice and if restraints should be placed on local authority activity in this field.

However, the Commission's role and expertise do not lend themselves to examining the health of local newspapers or isolating the impacts of specific local authority practices on commercial bodies. We are therefore limiting the scope of the proposed study to the value for money of council spending on communicating with the public (but looking more broadly than simply information sheets or newsletters).

Strategic financial management (Publication date: Spring 2010 and subsequent support tools in Summer 2010)

This national study builds on the work done for the [World Class Financial Management](#), especially financial governance and leadership; financial planning and finance for decision making. The study will review how councils develop and use strategic financial planning tools and will help them to improve strategic financial management and links to the planning of services and other interventions. It will examine the costs and benefits of strategic financial planning, determine which

approaches, if any, offer most benefits and identify the key principles of effective strategic financial and risk management.

Policing: More for Less - (Summer 2010)

This study will consider ways in which police forces and police authorities can continue to deliver community safety and well-being with fewer resources. It will focus on the potential for reducing costs by looking at better workforce planning and increased back office efficiency; working with partners to share resources; supporting long-term efficiencies and short-term savings.

The study will lead to a national report, value for money handbook and additional improvement tools.

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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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