

# **Progress report**

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**Audit and Performance Committee 27 June 2012**

**City of Westminster 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.**

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# Introduction

**1** The purpose of this paper is to provide the Audit and Performance Committee with a report on progress in delivering our responsibilities as your external auditors. It includes an update on the externalisation of the Audit Practice.

**2** If you require any additional information regarding the issues included within this briefing, please contact your District Auditor or Engagement Manager.

**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.

# Progress report

## Financial statements

4 Our 2011/12 audit is progressing well. We have continued to liaise effectively with the corporate finance team. The work proposed remains as set out in the detailed 2011/12 audit plans agreed by the Audit and Performance Committee in March 2012.

5 We have substantially completed our interim audit. This has involved updating our understanding of the Council's control environment, updating our documentation of the key financial systems and testing the key controls within those systems. We will feed our findings into our testing strategies for our work on the Council's financial statements, but there are no matters that we wish to bring to your attention at this stage. However, our systems work remains in progress on the accounts payable and the accounts receivable systems, where we have reported control weaknesses in previous years. We have also not been able to complete our systems work in respect of property, plant and equipment to date as the Council implemented a new Fixed Asset system (RAM) towards the end of 2011/12. We intend to complete our work, including on the migration of system data, during June 2012, placing reliance on the work of internal audit where appropriate.

## Assurances from the Audit and Performance Committee

6 In order to comply with International Standards on Auditing (UK&I) 240 and 250, we are required to obtain an understanding of how the Audit and Performance Committee, as those charged with governance, exercises oversight of management's processes to prevent and detect fraud and to maintain legality. A paper entitled 'Enquiries to those charged with Governance' has been shared with the Council to support our work in this area. Responses from management and the Chairman of the Audit and Performance Committee, on behalf of those charged with governance, are attached at appendix 1.

## VFM conclusion

7 The audit plan presented to the Audit and Performance Committee at its last meeting outlined three specific risks to consider in the context of our work to support the 2011/12 VFM conclusion:

- financial resilience;
- tri-borough arrangements; and
- procurement.

8 Our work to address these risks is ongoing.

## Challenge work

**9** A local government elector has raised a number of proposed objections to the 2008/09, 2009/10 and 2010/11 audits, which remain open. We wrote to the Council on 9 February 2012 explaining that we had accepted four of these proposed objections as notices of objection and asking the Council for supporting information. The Council provided that information on a timely basis. We should shortly be able to reach a provisional view on these four objections that we will share with the Council and the objector.

**10** The need to improve the Council's arrangements for responding on challenge issues was raised in our last annual governance report . Our letter of 9 February 2012 also included a request for information relating to other issues raised by the elector that had not been accepted as notices of objection. A response from the Council was not received until 18 May 2012. Responsiveness therefore continues to require improvement. We have received a commitment from officers to deliver this.

**11** We are currently considering the additional information provided by the Council, together with further representations on the other proposed objections from the objector. We will write to the Council and the objector shortly on these matters.

# The future of local public audit

**12** In August 2010, the government announced its intention to bring forward legislation to abolish the Audit Commission and put in place a new framework for local public audit.

**13** In January 2012, the government published its response to its consultation on the future of local public audit. The key features of a proposed new local public audit regime are as follows.

- Local government bodies will appoint their own auditor on the advice of an independent audit appointment panel, with a maximum of two terms of five years permissible.
- The audit will continue to cover arrangements for securing economy, efficiency and effectiveness, but without imposing further burdens on audited bodies. There will be further consultation on the approach to value for money.
- The power to issue a public interest report will be retained.
- Audit firms will be able to provide non-audit services to audited bodies, subject to complying with ethical standards and gaining approval from the independent auditor appointment panel.
- The National Audit Office will be responsible for developing and maintaining audit codes of practice and providing support to auditors.
- The National Fraud Initiative will continue. Discussions on how this will be achieved are ongoing.

**14** The Audit Commission has recently announced the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice for the period 2012/13 to 2016/17 (see 'update on the externalisation of the Audit Practice' below). The Commission is reducing and reshaping its workforce so that it can deliver its remaining core functions of audit regulation, contract management and sector support.

**15** In the Queen's Speech in May 2012, the government confirmed its intention to publish a draft Bill on the future arrangements for local public audit for further scrutiny and comment. The draft Bill will outline how the current audit regime and the Audit Commission will be replaced.

# Update on the externalisation of the Audit Practice

16 The Audit Commission's Managing Director, Audit Policy wrote to audited bodies on 6 March 2012 on the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice and on the process for making auditor appointments for 2012/13 and subsequent years.

17 The key points are as follows.

- Contracts will be let from 2012/13 on a five-year basis to the following firms.

Firm	Contract areas
DA Partnership	North East & North Yorkshire
Ernst and Young	Eastern South East
Grant Thornton	North West West Midlands London (South), Surrey & Kent South West
KPMG	Humberside & Yorkshire East Midlands London (North), which includes the Council

- The Commission has been able to secure competitive prices that will save local public bodies over £30 million a year for a minimum of five years. The savings secured will be passed back to audited bodies through significant reductions in scales of audit fees. The Commission published the final scales of audit fees for 2012/13 in April 2012.
- The Commission Board confirmed the current auditor as 'interim' auditor for the first five months of 2012/13 on 22 March 2012.
- Following the award of the contracts, the Commission has commenced consultation on the appointment of auditors to individual bodies with a view to making those appointments at its Board meeting on 26 July 2012. Firms will take up audit appointments for the 2012/13 audit year from 1 September 2012 when the interim appointment of the current auditor will come to an end.



- To support the consultation process, the Commission arranged a series of introductory meetings in each contract area. The purpose of these meetings was to give audited bodies in each area an opportunity to meet the new firm proposed as their auditor and its senior partners, and hear how the firm plans to manage its new portfolio and its approach to the audits.

**18** The Commission is working with auditors to ensure a smooth transfer between the Audit Practice and the incoming firm. In particular, the new auditor will be expected to place maximum reliance on the work of the current auditor. Audited bodies can also help by ensuring they plan their 2011/12 accounts closedown effectively to enable auditors to issue their opinion by 30 September 2012, the statutory deadline for publication of accounts.

**19** Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

**20** Further details are available on the Commission's website. We will continue to keep you updated on developments.

**21** Against this background, the Audit Practice's focus remains:

- fulfilling our remaining responsibilities – completing our work for 2010/11 and earlier years and delivering your 2011/12 audit – to the high standards you expect and deserve; and
- managing a smooth transition from the Audit Practice to your new audit provider.

## Contact details

**22** If you would like further information on any items in this briefing, please contact either your District Auditor or Engagement Manager.

**23** 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).

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# Appendix 1 Enquiries to those charged with governance

Please see overleaf.

**Audit enquiries to those charged with governance**

**City of Westminster Council**

**Audit 2011/12**

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# Introduction and background

**1** This paper is for consideration by those charged with governance (the Audit and Performance Committee) when approving the financial statements and supporting documents of the Council and its Pension Fund.

**2** Those charged with governance are accountable for the quality of the Council's and the Pension Fund's financial reporting. The respective responsibilities towards the financial statements are set out in the Statement of Responsibilities of Auditors and of Audited Bodies, which state that:

"The financial statements, which comprise the published accounts of the audited body, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. It is the responsibility of the audited body to:

- put in place systems of internal control to ensure the regularity and lawfulness of transactions;
- maintain proper accounting records; and
- prepare financial statements that give a true and fair view of the financial position of the body and its expenditure and income."

**3** The Statement of responsibilities of auditors and of audited bodies goes on to say that:

Auditors audit the financial statements and give their opinion, including:

(a) whether they give a true and fair view of, the financial position of the audited body and its expenditure and income for the year in question; and

(b) whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

In carrying out their audit of the financial statements, auditors will have regard to the concept of materiality.

**4** Our approach to enable us to give our opinion on the Council's and the Pension Fund's financial statements is guided by the International Standards of Auditing (ISAs). A number of these ISAs require us to make specific enquires of those charged with governance.

**5** This paper focuses on the requirements of four key ISAs:

- ISA 240 - Auditor's responsibility to consider fraud in an audit
- ISA 250 - Consideration of laws and regulations in an audit of financial statements
- ISA 570 - Going Concern
- ISA 580 - Management Representations

**6** Our approach also takes into account Practice Note 10, Audit of Financial Statements of Public Sector Bodies in the UK (PN10).

7 This paper briefly summarises the requirements of the ISAs, then sets out a series of questions to those charged with governance (the Audit and Performance Committee).

8 Towards the end of our audit of the financial statements in September 2012, we will be asking that a Letter of Representation is provided. This letter will refer to a number of the issues contained in this paper, along with any specific assertions required as a result of the audit work carried on the financial statements.

9 The purpose of this paper is to:

- set the context for the questions to you;
- ask those questions, and receive your response; and
- provide evidence that those issues have been appropriately considered by the Council in order that we can rely on the representations being made through the Letter of Representation.



# Audit approach

## ISA 240 - Auditor's responsibility to consider fraud in an audit

**10** ISA 240 states that an auditor should maintain an attitude of professional scepticism throughout the audit, recognising that the possibility of a material misstatement due to fraud could exist; notwithstanding the auditor's past experience with the entity about the honesty and integrity of management. Therefore, the fact that we are asking questions in this area should not be interpreted as if we have identified such an occurrence.

**11** The ISA requires the auditor to consider the risks of material misstatement due to fraud, defining fraud as arising from two sources:

- misappropriation of assets; or
- fraudulent financial reporting.

**12** It requires the auditor to consider opportunities for fraud such as those that may be presented by a weak control environment, or incentives and pressures over management, including for example to achieve certain targets.

**13** The primary responsibility to prevent and detect fraud lies with management. As part of the audit we will discuss with management, amongst other issues, their risk assessment that the financial statements may be materially misstated due to fraud. Appendix 1 sets out the responses we received from management.

**14** Oversight of the processes put in place by management rests with those charged with governance. Therefore, we address a number of questions to the Audit and Performance Committee to establish how it has undertaken that responsibility.

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Table 1: **Questions to those charged with governance / Audit and Performance Committee**  
ISA240

Question	Response
Are you aware of any actual, suspected or alleged fraud?	<p>The Committee are kept informed by Management of instances of fraud - involving Officers or Members. For FY11/12 there were two instances of actual fraud and an instance of suspected fraud which is currently being investigated.</p> <p>Instances of external fraud e.g. housing benefit, housing and parking are reported to the Committee on a quarterly basis.</p>

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Question	Response
<p>Has management disclosed to you the conclusion of its assessment over the risk of fraud within the financial statements of both the Council and the Pension Fund?</p>	<p>Management has informed the Committee of the steps it has taken to consider and mitigate the fraud risks within the Council and the Pension Fund. These include: a) the internal audit review of financial systems; b) the monthly budget tracking and review process c) The publication to all staff of the anti fraud strategy and d) the creation of "Finance Foundations". As a consequence only inherent risks exist.</p>
<p>Have you considered the risk of material misstatements (misreporting) by management in relation to both the Council and the Pension Fund?</p>	<p>The Committee is satisfied that there is no material risk of misstatement by management. This conclusion is based upon the more rigorous monthly review framework, enhanced review and control within Corporate Finance and improvements in financial processes and controls resulting from "Finance Foundations".</p>
<p>What is the Audit and Performance Committee's assessment of the impact of misappropriation on the financial statements of both the Council and the Pension Fund?</p>	<p>It is the opinion of the Committee that - because of the improved review and control structure - the impact of any misappropriation is negligible.</p>
<p>What oversight have you exercised over management's processes for identifying and responding to the risks of fraud, and the controls put in place by management to mitigate those risks? See Appendix 1.</p>	<p>The Chief Operating (Section 151) Officer is tasked with reporting fraud to this Committee on a quarterly basis.</p>
<p>How do you exercise oversight of management's processes in relation to:</p> <ul style="list-style-type: none"> <li>communication to employees of views on business practice and ethical behaviour; and</li> <li>communication to those charged with governance the processes for identifying and responding to fraud.</li> </ul>	<p>Officers communicate expectations of ethical governance and good business practice via staff induction training, the staff contract of employment, team meetings and staff reviews. The Council anti fraud strategy is published and available to all staff via its intranet system The Wire. The Governance Working Group is planning during FY12/13 to commence the delivery of ongoing training covering governance and ethical behaviour.</p>

## ISA 250 - Consideration of laws and regulations in an audit of financial statements

15 The ISA requires the auditor to consider compliance with relevant laws and regulations. Again it highlights that the primary responsibility for compliance rests with management. The auditor is not responsible for preventing non-compliance.

Table 2: **Questions to those charged with governance / Audit and Performance Committee**  
ISA250

Question	Response
Are you aware of any non-compliance with relevant laws and regulations?	In July 2011, the Bribery Act 2010 came into force. A recent review by Internal Audit helped identify areas for improvement to ensure the Council can be concluded as being fully compliant. The action plan on how to strengthen arrangements is currently being implemented.
If there have been instances of non-compliance, has the Audit and Performance Committee ensured that these have been brought to the attention of the auditor?	The Auditor has been made aware of the issue and of the Council's plans to mitigate.
If there have been instances of non-compliance, what oversight has the Audit and Performance Committee had to ensure that actions are taken by management to address any gaps in control?	The need to strengthen arrangements to comply with the Bribery Act has been highlighted in the Annual Governance Statement 2011/12.
How do you gain assurance that all relevant laws and regulations have been complied with?	<p>The Head of Legal and Democratic Services is responsible for overseeing corporate compliance with the law. The Chief Operating Officer has a statutory role in relation to the proper administration of the Council's financial affairs and for the lawfulness and financial prudence of transactions. The Chief Executive is the Council's Head of Paid Service and Chairs a Statutory and Corporate Governance Group which comprises these three officers.</p> <p>Processes for promoting compliance include the integration of legal and financial advice into committee/decision making processes, the existence of various regulatory codes (e.g. Financial Regulations and Procurement Code) and a Gate Review process to regulate the letting of key contracts. The Head of Legal and Democratic Services reports as necessary under Section 5A of the Local Government Housing Act 1989.</p> <p>Assurance is also gained through:</p> <ol style="list-style-type: none"> <li>1) reviewing the proposed work plans of all internal and external audit to ensure appropriate cover of the Council's key internal control systems, compliance activities and anti-fraud arrangements; and</li> <li>2) the receipt of regular monitoring reports from internal audit, an annual contract monitoring report (including waivers, extensions and variations) and exception reports on key processes e.g. treasury management.</li> </ol>

## ISA 570 - Going concern

**16** The going concern assumption is a fundamental principle in the preparation of financial statements, under which an entity is ordinarily viewed as continuing in business for the foreseeable future. Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

**17** Management should, in preparing the financial statements, undertake an assessment of the ability of the Council and the Pension Fund to continue as a going concern. The extent of this assessment will depend upon the individual circumstances of the entities

**18** Those charged with governance need to assess, or review management's assessment, based on the available information, that for the foreseeable future the going concern assumption is still relevant. This period is normally at least 12 months from the balance sheet date.

**19** This should incorporate:

- risk of changes in policy direction; and
- review of operational or business risks, for example (but not exclusively) the sufficiency of working capital to continue activities at its existing level.

**20** It may occur that this review identifies items that do not mean that the going concern assumption is called into question, but may appropriately be disclosed as post balance sheet events.

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Table 3: **Questions to those charged with governance / Audit and Performance Committee**  
ISA 570

Question	Response
Have you assessed the process management has followed in forming a view on going concern of the Council and the assumptions on which that view is based? See Appendix 2.	The Committee has assessed and is content with the process followed by management and the assumptions upon which this is based.
Have you assessed the process management has followed in forming a view on going concern of the Pension Fund and the assumptions on which that view is based? See Appendix 2.	The Committee has assessed and is content with the process followed by management and the assumptions upon which this is based.

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## ISA 580 - Management representations

**21** The ISA requires the auditor to obtain evidence that those charged with governance acknowledge their collective responsibility for the preparation of the financial statements and have approved the financial statements.

**22** It is usually appropriate that the auditor requests the management representation letter, which applies to both Council and Pension Fund financial statements, be discussed and agreed by those charged with governance, and signed on their behalf, to ensure that all those charged with governance are aware of the representations on which the auditor intends to rely.

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Table 4: **Questions to those charged with governance / Audit and Performance Committee**  
ISA 580

Question	Response
Have you made suitable arrangements to consider the letter of management representations, acknowledging the collective responsibility towards the financial statements?	The letter of management representation will be presented to the Audit and Performance Committee at the September meeting for approval.

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# Appendix 1 Fraud

Management have answered the following questions to help you assess how they have exercised their responsibility to prevent and detect fraud.

Question	Management/Officer Response
<p>What was management's assessment of the risk that the financial statements may be materially misstated due to fraud and what were the principal reasons?</p>	<p>Satisfied there are no specific fraud threats to the accounts being materially misstated due to fraud as risks are considered when Internal Audit undertakes financial system reviews.</p> <p>Financial audits for major systems (Accounts Payable, Accounts Receivable, general Ledger, Banking etc.) are undertaken every other year. Where there is a significant risk in a system due to a significant change, the system will be reviewed. This is due to the potential for key controls to be overlooked when redesigning a system.</p> <p>"Finance Foundations" has represented a significant change, so Internal Audit were involved throughout the change process to ensure that necessary controls were put in place to prevent error and fraud.</p> <p>Only inherent risks exist. This is to say, there always remain the risk of fraud occurring if officers with adequate authority chose to circumvent controls in place by colluding</p>
<p>What process was employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?</p>	<p>Fraud risks are considered when Internal Audit undertakes reviews of financial systems.</p> <p>There is a monthly budget tracking and review process which monitors the Council's financial performance; with strong engagement with Finance Business Partners, Service Managers and SEB members in this review. This process ensures that expenditure is reviewed critically on an ongoing basis.</p> <p>Anti-fraud strategy is published and made available to all staff.</p>
<p>Management's awareness of any actual or alleged instances of fraud?</p>	<p>Management are not aware of any instances of fraud within the Council or fraudulent activity relating to the Pension Fund during the financial year.</p> <p>All instances of fraud are reported on a quarterly basis to the Audit &amp; Performance committee. Reference to fraud "within the Council" is assumed to mean instances of fraud involving Officers or Members.</p>

Question	Management/Officer Response
	<p>There have been two instances of actual fraud and an instance of suspected fraud which is currently being investigated.</p> <p>A summary of instances of fraud against the Council by external parties (e.g. housing benefit, parking) have been reported. These are contained within the Audit &amp; Performance Committee agenda papers.</p>
<p>How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties (including employees) and when?</p>	<p>Expectations of ethical governance are communicated via:</p> <ul style="list-style-type: none"> <li>■ Staff induction training;</li> <li>■ Staff contract of employment;</li> <li>■ Team meetings;</li> <li>■ Staff reviews.</li> </ul>
<p>What arrangements are in place to report fraud to those charged with governance?</p>	<p>The Chief Operating (Section 151) Officer is tasked with reporting fraud to the Audit &amp; Performance Committee (those charged with governance) on a quarterly basis.</p>
<p>Do all of the above arrangements and responses also apply to the Pension Fund? Are there any additional anti-fraud arrangements in place for the Pension Fund, particularly in relation to outsourced administration function and fund management?</p>	<p>With regard to the Pension Fund there are two key areas where fraud may arise:</p> <ol style="list-style-type: none"> <li>1) The investment/finance side and</li> <li>2) The pension fund member registration/management side.</li> </ol> <p>On the finance side all transactions are recorded by BNY Mellon, the custodian of the fund which is subject to separate audit. Any transactions/fund movement made by Council officers requires two people to be involved. Vertex reconciles the pension fund bank account. On the member side, the London Pensions Fund Authority carries out regular anti-fraud checks.</p>

## Appendix 2 Going concern

The following questions have been answered by management to help you assess the appropriateness of management's assessment of the Council's and the Pension Fund's ability to continue as a going concern.

Question	Management/Officer Response
How has management formed a view on going concern?	Informed by the budget cycle for financial years 12/13 & 13/14 and the draft out-turn for FY11/12, Management has formed a view that the Council is a going concern. Opening reserves for FY 11/12 of £15.6m are anticipated to rise to £20m-£22m at the close and increase further during FY12/13 in line with the agreed strategy. The Council is concerned that in the medium term reductions in Government funding will generate further pressure on expenditure. The Council is looking to mitigate this by a mid-year (post-Olympics) review when there may be greater clarity around Government funding and run-rates will be known.
What principal assumptions have been used in reaching this view and why does management feel the assumptions are appropriate?	The Council has carried out a financial planning exercise covering the next two years (12/13 and 13/14) in detail. This exercise carried out in conjunction with Members, SEB and Finance Business Partners has been subject to scrutiny as part of the budget setting process.
Is the above consistent with the strategic business plan and the financial information provided to you throughout the year?	Yes, this view is supported by the recent budget cycle which culminated in a report to Cabinet on 20th February. In year monitoring through FY11/12 projected Service Area underspends to budget. These were partially offset by costs of change.
Have there been any significant issues raised with you during the year (e.g., adverse comment by internal and external audit on weaknesses in systems of financial control, or significant variances to activity levels compared to those planned), which could cast doubts on the assumptions made?	No adverse statements have been made by internal or external audit. A number of systems and processes have been improved, or are in the process of being improved as consequence of the "Finance Foundations" Programme.



Question	Management/Officer Response
<p>Have the implications of any known statutory or policy changes been appropriately reflected in the business plan and financial forecasts (e.g. the impact of IFRS)?</p>	<p>The medium term financial planning is informed by the known and anticipated changes to levels of Government funding and Government policy.</p>
<p>Does a review of available financial information (annual accounts, in-year financial monitoring reports, future year financial forecasts) identify any of the following adverse financial indicators: negative cash flow (i.e. expenditure greater than income); the need to take out new loans If so, what action is being taken to improve financial performance?</p>	<p>Net revenue expenditure for FY 11/12 is significantly better than originally budgeted. This has generated an improvement in reserves. Net capital expenditure for the year of £35.1m is funded by capital receipts.</p>
<p>Does the organisation have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?</p>	<p>"Finance Foundations" was all about having suitable capacity and the right capability in place to deliver the Council's objectives. Finance has invested heavily in a change programme to achieve this and has been implemented now since October 2011 with a programme of ongoing training/education to embed the change in Finance and within the business.</p>
<p>Have management formed a view on the going concern status of the Pension Fund, taking into account relevant financial and performance information, known statutory and policy changes and organisation capacity? Why does management feel that this view is appropriate?</p>	<p>The running of the pension fund is a daily task for officers on both the investments and the HR/member administration matters. While officers monitor the performance of the fund on a monthly basis, as well as managing the cash flow, the triennial valuation carried out by the actuaries gives an estimate of the liabilities the fund faces. Based on the triennial valuation, the contributions to be made by the employers is agreed to aim to a fully funded pension fund within a set period of time (depending on the nature of the employer).</p> <p>CLG are currently discussing with employer and employee representatives over regulatory changes to the LGPS following Lord Hutton's review. It is expected that changes will be known before 31 March 2013 (to take effect from 1 April 2014), allowing actuaries to take account of the proposals in their valuations.</p>

**Question****Management/Officer Response**

On the basis of the regulatory requirements surrounding the LGPS, the regular review of the pension fund and the triennial valuations, officers are comfortable that the Pension Fund can be treated as a going concern.

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## Appendix 3 Laws and regulations

Management have answered the following questions to help you assess how they have gained assurance that all relevant laws and regulations have been complied with.

Question	Management/Officer Response
<p>How have you gained assurance, for both the Council and the Pension Fund, that all relevant laws and regulations have been complied with?</p> <p>Have there been any instances of non-compliance?</p>	<p>Assurance is gained through:</p> <ul style="list-style-type: none"><li>■ Reviewing the proposed work plans of all internal audit and external audit to ensure appropriate coverage of the Council's key internal control systems, compliance activities and anti-fraud arrangements; and</li><li>■ The receipt of regular monitoring reports from internal audit, an annual contract monitoring report (including waivers, extensions and variations) and exception reports on key process reviews e.g. treasury management</li></ul> <p>None beyond those already reported or being investigated.</p>
<p>Are there any potential litigations or claims that would affect the financial statements of either the Council or the Pension Fund?</p>	<p>None beyond those already reported or being investigated.</p>

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