

**Milton Keynes Council Audit Committee
16 December 2009**

TITLE OF REPORT: EXTERNAL AUDIT PROGRESS REPORT

REPORT FROM AUDIT COMMISSION

1. PURPOSE OF REPORT

- 1.1 To inform the Audit Committee of progress in respect of 2008/09 audit.
- 1.2 To inform the Audit Committee of progress in respect of 2009/10 audit.

2. 2008/09 AUDIT UPDATE

2.1 The table below sets out each element of the 2008/09 Audit Plan as agreed in June 2008 and the current status of these.

Audit element	Status
<p>Financial statements – We are required to issue an opinion on the financial statements.</p>	<p>An unqualified opinion on the financial statements was issued on 27/11/09.</p> <p>To support our work on the financial statements, we also review the key financial systems that feed the financial statements. We have issued an interim memorandum and are awaiting the Council's response.</p> <p>We have also issued a memorandum as a result of our work on the financial statements and this is with the Council for their review and response.</p>
<p>Use of resources – value for money conclusion The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources: this is known as the value for money conclusion. A number of key risks were identified in the plan and our plans to address them.</p>	<p>Evidence for the value for money conclusion was gained through the use of resources assessment and through specific pieces of work designed to address the key risks identified during the planning process. A qualified value for money conclusion was issued on 27/11/09.</p>
<p>CAA use of resources The use of resources assessment is structured into three themes that focus on the importance of:</p> <ul style="list-style-type: none"> • sound and strategic financial management (managing finances); 	<p>The Council scored an overall 2 under the new use of resources assessment. Within this score there are a number of key weaknesses that need to be addressed. A separate detailed report will be provided for the council.</p>

<ul style="list-style-type: none"> • strategic commissioning and good governance (governing the business); and • the effective management of natural resources, assets and people (managing resources). <p>The key lines of enquiry (KLOE) are generic to all organisations subject to a use of resources assessment under CAA. This promotes consistency and demonstrates that all organisations within a CAA area are treated in exactly the same way and to the same standards.</p>	
<p>Whole of Government Accounts We will be required to review and report on your consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office.</p>	<p>This work is complete and the WGA return submitted 27/11/09.</p>
<p>National Fraud Initiative From 2008/09 work relating to the National Fraud Initiative will be carried out directly by the Commission under its new data matching powers under the Serious Crimes Act 2007.</p>	<p>This work was carried out centrally by the Audit Commission. Participating bodies received the results for the 2008/09 exercise on the 11th February 2009 via the secure on-line NFI website. We reviewed the arrangements for following up NFI matches as part of our use of resources assessment.</p>
<p>Certification of grant claims and returns We will continue to certify the Council's claims and returns on the basis agreed by the Audit Commission.</p>	<p>Most grant claim work is now complete. The housing subsidy claim is due by the end of December.</p>

3. 2009/10 AUDIT UPDATE

3.1 The table below sets out each element of the 2009/10 Audit Plan as agreed and the current status of these.

Audit element	Status
<p>Financial statements – We are required to issue an opinion on the financial statements.</p>	<p>This work will take place in summer 2010.</p>
<p>Use of resources – value for money conclusion The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of</p>	<p>Evidence for the value for money conclusion will be gained through the use of resources assessment.</p>

<p>resources: this is known as the value for money conclusion. A number of key risks were identified in the plan and our plans to address them.</p>	
<p>CAA use of resources The new use of resources assessment is structured into three themes that focus on the importance of:</p> <ul style="list-style-type: none"> • sound and strategic financial management (managing finances); • strategic commissioning and good governance (governing the business); and • the effective management of natural resources, assets and people (managing resources). <p>The key lines of enquiry (KLOE) are generic to all organisations subject to a use of resources assessment under CAA. This promotes consistency and demonstrates that all organisations within a CAA area are treated in exactly the same way and to the same standards.</p> <p>The wider scope of the assessment and the greater focus on outcomes makes the assessment more demanding. The KLOE are more broadly based, and more strategic, than previously, embracing wider resource issues such as people and workforce planning, and the use of natural resources.</p>	<p>We have had a set up meeting to discuss the next assessment which will take place between now and March 2010.</p> <p>We will be undertaking a number of risk based projects to support this work and are currently agreeing the scope of these with officers.</p>
<p>Whole of Government Accounts We will be required to review and report on your consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office.</p>	<p>This work will be due in October 2010</p>
<p>Certification of grant claims and returns We will continue to certify the Council's claims and returns on the basis agreed by the Audit Commission.</p>	<p>This work will take place between August and December 2010.</p>