

# Progress Report

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Southampton City Council

Audit 2010/11

**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.**

# Contents

<b>Progress with 2010/11 audit.....</b>	<b>2</b>
<b>Appendix 1 Key audit and value for money risks to be addressed for 2010/11 .....</b>	<b>4</b>
Audit focus on risks for 2010/11 .....	4
Value for money conclusion.....	4

## Progress with 2010/11 audit

Report	AC key contact	Authority contact	Expected report	Reported to Audit Committee	Comment
Audit plan 2010/11	Kate Handy	Audit Committee	June 2010	June 2010	<p>The initial fee letter for 2010/11 was presented at the June 2010 meeting.</p> <p>A more detailed opinion plan will be prepared and discussed with officers before being presented in June 2011 to the Committee.</p> <p>Appendix 1 is a summary of the key audit risks that we will focus on during the audit and the assessment for the value for money conclusion.</p>

### Financial statements

Interim audit memorandum (If appropriate)	Mike Bowers	Andrew Lowe	June 2011		<p>The pre statements audit has commenced and will be completed in April 2011.</p> <p>The key audit risks that we will focus on are detailed in appendix 1.</p>
Annual Governance Report (ISA260)	Kate Handy	Standards and Governance Committee	September 2011		
Accounts opinion	Kate Handy	Standards and Governance Committee	September 2011		
Final Accounts memorandum (If appropriate)	Mike Bowers	Andrew Lowe	October 2011		

Report	AC key contact	Authority contact	Expected report	Reported to Audit Committee	Comment
<b>Value for money conclusion</b>					
Value for money conclusion	Kate Handy	Standards and Governance Committee	September 2011		The key areas that we will review are detailed in Appendix 1.
Highways maintenance	Tim Thomas	Lorraine Brown	March 2011		Initial feedback has been given to officers and a draft report will be prepared and agreed with key officers in March 2011.
<b>Certification of grant claims and returns</b>					
Annual report	Mike Bowers	Andrew Lowe	March 2011	March 2011	The report is on the agenda for March 2011 meeting of the Audit Committee.
<b>Annual Audit Letter</b>					
Annual Audit Letter	Kate Handy	Alistair Neill	November 2011		

# Appendix 1 Key audit and value for money risks to be addressed for 2010/11

## Audit focus on risks for 2010/11

I have started my risk based planning and will bring the detailed audit plan to the Audit Committee meeting in June 2011.

I have considered the specific risks that apply to the current opinion audit and these include:

- transition to IFRS compliant accounts;
- the Council's response to the increasing financial pressures and whether this is influencing the reporting of financial performance;
- compliance with the requirement to disclose senior officers' remuneration.

The new clarified International Standards on Auditing (ISAs) will apply to my audit of your 2010/11 financial statements. Because of the new standards, you can expect to see some changes in the way my audit team delivers your audit and the information they seek from you. The key changes will relate to:

- Journals - ISA (UK&I) 330 requires us to review all material year-end adjustment journals.
- Related Party Transactions - ISA (UK&I) 550 (Related parties) requires us to review your procedures for identifying related party transactions and gain an understanding of the controls that you have set up to identify such transactions.
- Accounting Estimates - ISA (UK&I) 540 requires us to look at your accounting estimates in detail. As part of my audit I will seek a list of these from you.

## Value for money conclusion

I am required to give a statutory VFM conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

I will base the VFM Conclusion for 2010/11 on two criteria, specified by the Audit Commission, which cover your arrangements for:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

I am planning a programme of VFM audit work based on our risk assessment. I will base this on:

- capturing what we know already from last year's work, VFM profiles, continuing reviews of minutes and discussions with officers;
- considering sector specific risks, including:
  - the government's spending review;
  - maintaining essential services and effectiveness with reduced funding;
  - the new public services transparency framework; and
  - sector self-regulation and improvement.

In addition, I will consider how the Council is addressing issues that was raised in the Annual Audit Letter last year to achieve expected benefits from the street lighting and leisure services contracts, to closely monitor the savings programme and satisfy yourself that the capital programme is affordable.

I will carry out more project work only where I would not be able to arrive at a VFM conclusion without it. I will report the results of my work in my Annual Governance Report and Annual Audit Letter. At this stage I have identified one project that I need to complete in respect of the highways maintenance partnership, the estimated value of the contract is £100 million over a ten year period. This project work is underway and will consider the whether the contracted governance arrangements have been implemented and whether the predicted benefits are being realised.

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