

<b>Subject:</b>	Audit and Accounts Committee Update – External Audit Progress Report	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit and Accounts Committee	<b>Date:</b>	24 September 2013
<b>Report of:</b>	Grant Thornton	<b>Portfolio Holder:</b>	Finance and Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	No	Attached: No
<b>Biodiversity Impact Assessment</b>	Required:	No	Attached: No
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<b>1.</b>	<b>RECOMMENDATION(S)</b>
1.1	Members are asked to consider the update report for the 2012/13 audit.

**2. PURPOSE OF REPORT**

2.1 The report sets out the progress against plan for the 2012/13 audit. It also includes a summary of recent developments of interest to a Borough Council.

**3. CORPORATE PRIORITIES**

3.1 The matters discussed in this plan do not impact directly on the Council's corporate priorities:

**4. RISK ASSESSMENT IMPLICATIONS**

4.1 There are no risk assessment implications.

**5. BACKGROUND AND OPTIONS**

5.1 In June 2013 we presented our Audit Plan to the Audit and Accounts Committee

5.2 This report summarises the progress of the audit against our planned work.

5.3 It also highlights a number of recent developments for the Council to consider

**COMMENTS FROM STATUTORY OFFICERS:**

**6. SECTION 151 OFFICER**

6.1 This is a report of the External Auditor

**7. MONITORING OFFICER**

7.1 This is a report of the External Auditor

**8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT**

8.1 Not applicable

**9. CONCLUSION**

9.1 The audit is progressing to the timetable expected.



# Audit and Accounts Committee Update for Rossendale Borough Council

**Year ended 2012/13**

16 September 2013

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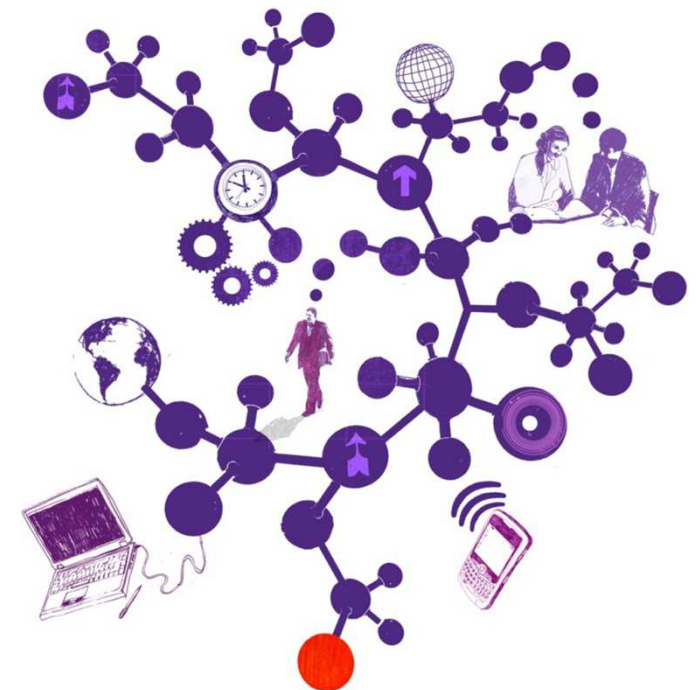
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

This paper provides the Audit and Accounts Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a borough council
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Accounts Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications including: 'Local Government Governance Review 2013' and 'Towards a tipping point?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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## Progress at 16 September 2013

Work	Planned date	Complete?	Comments
<p><b>2012-13 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on your 2012-13 financial statements.</p>	25 June 2013	Yes	Presented to the Audit and Accounts Committee on 25 June 2013.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> </ul>	25 June 2013	Yes	Work completed and reported in the Audit Plan present to the Audit and Accounts Committee on 25 June 2013.
<p><b>2012-13 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2012-13 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	June 2013 to September 2013	No	Our work is substantially complete and the Audit Findings Report is to be presented to the Audit and Accounts Committee on 24 September 2013.

## Progress at 16 September 2013

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b>            The scope of our work to inform the 2012/13 VfM conclusion comprises:</p> <ul style="list-style-type: none"> <li>• A detailed risk assessment</li> <li>• A review of your financial resilience</li> <li>• Specific work to address other identified issues as appropriate</li> </ul>	March 2013 to September 2013	Yes	The Financial Resilience and the Audit Findings Report are to be presented to the Audit and Accounts Committee on 24 September 2013.
<p><b>Other areas of work</b>            Work on our grant claims certification programme commenced in June when we started our Housing Benefit and Council Tax Benefit Subsidy Claim work.</p> <p>We completed a risk assessment on the Council's work on the National Fraud Initiative.</p>	June 2013 to November 2013	No  Yes	Work to be completed by the appropriate deadlines.  Assessment completed.

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# Emerging issues and developments

## Local government guidance

### Local Government Pension Scheme

The Department for Communities and Local Government has launched a 'call for evidence on the future structure of the Local Government Pension Scheme'. The consultation is asking for feedback on the objectives for structural reform and how the Local Government Pension Scheme can best achieve accountability to local taxpayers through the availability of transparent and comparable data while adapting to become more efficient and to promote stronger investment performance.

The consultation closes on 27 September 2013.

Consider:

- Has the Council reviewed the consultation and assessed the potential impact?
- Are you intending to respond to the consultation?

### Local government claims and returns 2011/12

In June, the Audit Commission published 'Local government claims and returns 2011/12 – The Audit Commission's report on certification work'. The report includes information and commentary on the number and value of certified claims and returns; auditors' findings; the cost of certification work; and future certification work.

The Audit Commission concluded that:

- while 2011/12 saw a fall in the value of amendments and number of qualification letters, this was largely due to fewer claims and returns requiring certification. Proportionally, the level of claims and returns amended or qualified rose, while the most significant scheme, housing and council tax benefits, saw both the value of amendments and number of qualification letters increase.
- authorities and grant-paying bodies should continue their work to ensure schemes' terms and conditions are complied with, particularly when schemes change significantly or are in their final year.

Consider:

- your procedures in place to ensure that grant schemes terms and conditions are complied with?



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# Emerging issues and developments

## Grant Thornton

### 'Future Councillors – where next for local politics?'

Grant Thornton has sponsored the latest New Local Government Network (NLGN) research paper: Future Councillors – where next for local politics? Whilst more or less every aspect of what a council does is currently up for discussion, this is not the case for the role of local politicians. The report is a response to this discourse gap.

The report content is based on a series of workshops held earlier this year with a number of councillors from different local authority types, different regions and from different political parties. The workshops, which Grant Thornton attended, included a scenario-planning exercise which identified how councillors that fail to renew their democratic processes risk losing the support of their communities. The research also suggested that councils that did grasp the opportunities offered by technology and service redesign can become far more engaged with their communities, building efficient and co-operative models of local government focused on neighbourhood needs.

The report includes a chapter by Guy Clifton from Grant Thornton on the councillor's role in financial planning. The workshops identified that many elected members are keen to take a far greater role in financial planning at their authorities, particularly given the significant funding challenges being faced. During the workshops we explored the skills and capabilities that members need to effectively manage the budget setting process. These included: effective communication and stakeholder engagement, understanding financial planning tools and, perhaps most importantly, knowing what questions to ask.

Consider:

- Elected Members role in financial planning and ensuring that they are appropriately trained.

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# Emerging issues and developments

## Grant Thornton

### Spending Round 2013

It was announced in the June spending round that the local government resource budget will be reduced by 10 percent in 2015/16.

As Paul Dossett, Head of Local Government at Grant Thornton UK LLP, wrote on [informationdaily.com](http://informationdaily.com), the Chancellor 'seemingly acknowledged local government's capacity to deliver the scale of savings achieved so far. No other spending department received such positive affirmation. The Chancellor's actions imply that local government leaders are more capable of meeting the national challenge than other parts of the public sector. Over the past three years, local government members and senior officers have tightened their organisational belts and most have shown they are able to deliver significant change. The government is placing continued reliance on their resourcefulness in order to help meet the fiscal shortfalls facing the broader public sector, and many in the sector recognise this.'

'In his speech, the Chancellor recognised the benefits that more collaborative working can bring, although not on the lines subsequently suggested by the LGA. The Chancellor called for more joined-up working between police forces, and between police forces and local authorities - with a £50m innovation fund to be established to support this work. He also called for greater collaboration between health and social care services, with £200m to be transferred to local authorities from the NHS in 2014-15, and a £3.8bn pooled budget in 2015-16. In addition, £35m is to be made available to local authorities in 2015-16 to help prepare for reforms to the system of social care funding, including the cap on care costs from April 2016. There is also the £200m additional funding to the Troubled Families programme being managed by the department for Communities and Local Government.'

Consider:

- Whether your medium term financial fully reflects the Spending Round announcement
- How your authority is planning to work with other organisations in the public sector

# Emerging issues and developments

## Accounting and audit issues

### 2014/15 Code of Practice on Local Authority Accounting

At the end of July, CIPFA/LASAAC released the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) Exposure Draft (ED) and Invitation to Comment (ITC) for public consultation. The significant changes proposed in the ITC include:

- IFRS 13 fair value measurement: the proposed approach would result in authorities reviewing current measurements of property, plant and equipment and for some authorities, may require remeasurement of particular assets. CIPFA/LASAAC is proposing a relaxation of the measurement requirements of IFRS 13 and IAS 16 Property, Plant and Equipment for a three year period
- introduction of the new group accounting standards
- other amendments to standards issued by the International Accounting Standards Board (IASB): amendments to IAS 32 *Financial Instruments: Presentation* to clarify the application of the new disclosure requirements introduced in the 2013/14 Code and clarification on comparative information from amendments to IAS 1 *Presentation of Financial Statements*
- local government reorganisations and other combinations: clarification of the Code's requirements and alignment with other public sector bodies

CIPFA/LASAAC have also launched a consultation on simplifying and streamlining the presentation of local authority financial statements.

Both consultations close on Friday 11 October 2013.

Consider:

- Reviewing the proposed amendments and assess the potential impact
- Whether you are going to respond to the consultation?



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