

<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 June 2014
<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 2013/14 audit.

**2. PURPOSE OF REPORT**

2.1 The report sets out the progress against plan for the 2013/14 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 progress report 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 The report summarises the progress made in delivering the 2013/14 audit and highlights some recent development for the Council to consider.

5.2 Within the Emerging Issues and Development section of the report there are a number of challenge questions. The audit team will meet with the Council's officers and discuss progress against each question. We will report to the next Audit and Accounts Committee any issues that have not been appropriately followed up.

**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.



# Rossendale Borough Council

## Audit progress report and emerging issues

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**Year ended: 31 March 2014**

11 June 2014

**Karen Murray**

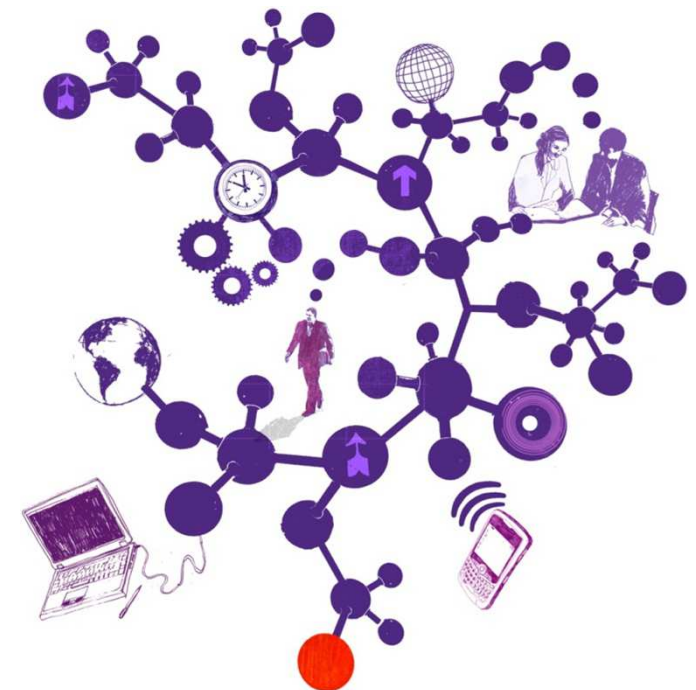
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to 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 District Council
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes).

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.

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 (Karen Murray) or Audit Manager (Simon Hardman).

## Progress at 11 June 2014

Work	Planned date	Complete?	Comments
<p><b>2013-14 Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the control environment</li> <li>• updating our understanding of financial systems</li> <li>• consideration of Internal Audit reports</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing.</li> </ul>	March/April 2014	Complete	The interim accounts audit is completed. The outcome from our interim audit forms the basis for the Audit Plan, which is presented separately on this Audit and Accounts Committee agenda.
<p><b>2013-14 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	To be presented to the June 2014 Audit and Accounts Committee	Complete	<p>The Audit Plan has been issued and is presented separately on this Audit and Accounts Committee agenda.</p> <p>From the interim audit work undertaken, we have not identified any material weaknesses in internal controls which are likely to impact adversely on the financial statements or our planned audit approach.</p> <p>Emerging accounting issues for 2013/14 that will require further work at the final accounts audit include:</p> <ul style="list-style-type: none"> <li>• New accounting rules for NNDR including accounting for business rate appeals</li> <li>• Property, plant and equipment in-year revaluations</li> </ul>

## Progress at 11 June 2014 *cont.*

Work	Planned date	Complete?	Comments
<p><b>2013-14 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2013-14 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	Start date 30 June 2014 and substantial completion of audit work by the end of July.	On track	<p>We aim to carry out the detailed final accounts work in June and July.</p> <p>The Audit Findings report will be considered by the Audit and Accounts Committee on 23 September.</p> <p>We aim to issue the opinion on the accounts and the Value for Money conclusion by 30 September, after the Audit Committee have considered our Audit Findings report.</p>
<p><b>2013-14 Value for Money (VfM) conclusion</b> The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> <li>• An initial risk assessment</li> <li>• review of your Annual Governance Statement</li> <li>• review of any relevant work of regulatory bodies, to consider whether there is any impact on our responsibilities</li> <li>• other local risk-based work as appropriate, or any work mandated by the Audit Commission.</li> </ul>	April to August 2014	On track	<p>Our risk assessment work is in progress.</p> <p>Our findings will be presented alongside our opinion on the Council's financial statements.</p>
<p><b>2013-14 Annual Audit Letter</b> On completion of the audit we will prepare an Annual Audit Letter to summarise our work.</p>	October 2014	On track	Our Annual Audit Letter will summarise the findings from our 2013-14 accounts opinion and VfM conclusion work.

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## Progress at 11 June 2014 *cont.*

Work	Planned date	Complete?	Comments
<b>2013-14 Certification of claims and returns</b> We will complete a programme of work to certify those of the Authority's 2013-14 grant claims and returns requiring auditor certification.	September to November 2014	On track	We will certify the Housing and Council Tax Benefit Subsidy claim by 30 November 2014.



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# Accounts – our top issues

## Accounting and audit issues

### Top issues for the 2013/14 closedown

Based on the queries we have received from practitioners and auditors, here is a list of the top issues to consider for the 2013/14 closedown.

1. Do your accounts tell the overall story of your authority's financial performance and financial position? Are they clear, concise and easy to follow? Is detailed information on the most important information easy to find? Have duplicated text, non-material notes and zero entries been removed?
2. Are your accounts internally consistent? In particular, does the movement in reserves statement agree to the detailed notes?
3. Is your programme of revaluations sufficiently up to date to ensure that the carrying value of property, plant and equipment does not differ materially from the fair value at 31 March 2014?
4. Have you accounted for provisions in accordance with IAS 37?
  - Have you considered provisions for business rates, equal pay and restoration and aftercare of landfill sites?
  - Are your provisions the best estimate of the liability (rather than a prudent estimate or an amount that is convenient for budget purposes)?
  - Is there a robust evidence based methodology to support the estimate?
  - Are there any instances in which a provision has not been made because a reliable estimate cannot be made? If so, is there robust evidence to support the judgement that a reliable estimate is not possible? Has a contingent liability been disclosed?
5. Have you addressed the new accounting requirements in 2013/14 for the presentation of IAS19 pension costs?

### Issue to consider:

Have you addressed the closedown issues and assessed the potential impact for your financial statements?

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# Accounts – CIPFA bulletin

## Accounting and audit issues

### LAAP Bulletin 98: Closure of the 2013/14 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued LAAP Bulletin 98. The bulletin provides further guidance and clarification to complement CIPFA's 2013/14 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- non-domestic rates – provision for appeals against the rateable value of business properties
- component accounting; and
- accounting for pension interest costs in relation to current service cost and pension administration costs.

With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 and on the measurement of transport infrastructure assets in 2016/17.

### Issue to consider

Have you reviewed the guidance and assessed the potential impact for your financial statements?

# Not to be rubbished, £464 million potential savings

## Local government guidance

### Audit Commission VFM Profiles

Using data from the VFM Profile, <http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/> the Audit Commission issued a briefing on 27 March 2014, concluding that up to £464 million could be saved overall, if councils spending the most brought down their spending to the average for their authority type and waste responsibilities.

The Audit Commission Chairman, Jeremy Newman said: "It's good news that local authorities have reduced their spending on household waste by £46 million over the past four years and have reduced levels of waste sent to landfill. Councils have achieved these important improvements by working with local people and exercising choice about what works best in their own circumstances."

In the context of considering the hierarchy of waste management options - preventing the creation of waste, preparing waste for re-use, recycling, recovery and disposal to landfill - the Audit Commission Chairman also said: "in 2012/13 local authorities spent a fifth of their total expenditure on the most desirable option for household waste management: minimisation and recycling. They spent the other four-fifths on the collection and disposal of waste – the least desirable options. Councils have the power to influence and encourage residents to do the right thing and they control the levels of spending on the range of waste management options available to them. Their choices ultimately affect how well the environment is protected and the quality of waste services residents receive".

### Issue to consider:

Has the Council used the Audit Commission briefing paper to consider how their:

- overall spending on household waste management has changed over time?
- spending is divided between waste minimisation, recycling or disposal of waste, and how this has changed over time?; and
- spending on different components of waste management compares with authorities that have similar or better performance?

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# Assessing the costs and benefits of local partnerships

## Local government guidance

The government published its cost benefit analysis guidance for local partnerships on 2 April 2014.

Developed as part of the Greater Manchester 'whole place' Community Budget pilot, it was the first Treasury-approved assessment of the costs and benefits of joining-up and reforming public services in local areas.

The framework was developed by New Economy, the economic strategy unit of the Greater Manchester Combined Authority. John Holden, acting director of economic strategy at the agency, led the team that devised the methodology. He said: "this model provides a framework to start thinking about more holistic projects that deliver long-term outcomes but also produce short-term cashability [savings]"

The guidance sets out a standard process to determine the benefit of reforms, based on the unit cost of services, their impact and the savings that result. In providing Treasury backing for the cost benefit analysis framework – it has been included in Whitehall's Green Book for policy appraisal and evaluation – it has been added to the government's assessment process for the latest £320m round of the Transformation Challenge Award, which provides funding to councils to implement reforms.

### **Issue to consider:**

Has the Council considered the applicability of the government's cost benefit analysis guidance in considering the cost-benefits of local service delivery options?

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# Understanding your accounts – member guidance

## Grant Thornton

### Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the:

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures.

Supporting this guide we have produced two further documents to support members in discharging their responsibilities:

- helping local authorities prepare clear and concise financial statements; and
- approving the minimum revenue provision.

Copies of these are available from your engagement lead and audit manager.

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# Working in tandem – Local Government Governance Review 2014

## Grant Thornton

### Local Government Governance Review

This report is our third annual review into local authority governance. It aims to assist managers and elected members of councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Drawing on a detailed review of the 2012/13 annual governance statements and explanatory forewords of 150 English councils and fire and rescue authorities, as well as responses from 80 senior council officers and members, the report focuses on three particular aspects of governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation; and
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

Alongside the research findings, the report also highlights examples of good practice and poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

#### Issues to consider:

- Has the Council reviewed the case studies and assessed whether it is meeting good practice in these areas?
- Our report includes key questions for members to ask officers on risk management and alternative delivery models. Are these issues being considered and responded to?



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