

Audit Committee

Progress and Update Report for

Rossendale Borough Council

Year ended 31 March 2017

13 June 2017

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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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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website 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:

- CFO Insights – reviewing council's 2015/16 spend (December 2016);
<http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016);
<http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016);
<http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016)
<http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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 Engagement Manager

Members and officers may also be interested in our recent webinars:

Alternative delivery models: Interview with Helen Randall of Trowers and Hamlins, discussing LATCs and JVs in local government;
<http://www.grantthornton.co.uk/en/insights/qa-on-local-authority-alternative-delivery-models/>

Cyber security in the public sector: Our short video outlines questions for public sector organisations to ask in defending against cyber-crime;
<http://www.grantthornton.co.uk/en/insights/cyber-security-in-the-public-sector/>

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2014/15 work

Completed Comments

2014/15 Accounts audit and Value for Money Conclusion

In progress

We have not yet issued an opinion on the 2014/15 accounts due to the issues arising in respect of the Council's Empty Homes Programme and associated HCA grant.

Much of the work on the Council's 2014-15 accounts is complete. However, we have yet to finalise our work in respect of the transactions relating to the Council's Empty Homes Programme and associated HCA grant.

We have had a number of discussions with the HCA since February 2017 and understand that their current special audit is nearing completion. However, it remains unclear whether the HCA will be able to provide us with confirmation of the final agreed funding for this scheme.

2015/16 work

Completed Comments

2015/16 Accounts audit and Value for Money Conclusion

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2016/17 work	Completed	Comments
<p>Fee Letter We issued the 'Planned fee letter for 2016/17 in April 2016.</p>	April 2016	We issued the fee letter for 2016/17 in April 2016, with no change to the fee proposed. This was reported to the Accounts and Audit Committee in June 2016.
<p>Accounts Audit Plan 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 the Council's 2016/17 financial statements.</p>	<i>In progress</i>	We will prioritise completion of the 2014/15 and 2015/16 accounts before completing our audit plan for 2016/17.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing 	<i>In progress</i>	We completed a substantial proportion of our interim accounts audit during March 2017. We will now prioritise completion of the 2014/15 and 2015/16 accounts to inform our 2016/17 audit plan.
<p>2016/17 Accounts audit and Value for Money Conclusion Including:</p> <ul style="list-style-type: none"> • audit of the 2016/17 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 	<i>In progress</i>	We will complete our audit of the 2016/17 financial statements following completion of the 2014/15 and 2015/16 audits. We plan to report our findings to the Audit Committee in September 2017.

**Housing benefit Subsidy
Certification**

We are required to review
and certify the claim by 30
November 2017.

On track

We will complete our certification work and
certify the claim before 30 November 2017.

The Income Spectrum

Helping local authorities to achieve revenue and strategic objectives to create vibrant economies

Local government is under immense financial pressure to do more with less. The 2015/16 spending review is forecast to result in a £13 billion funding hole by 2020/21 that requires councils to make savings of up to 29 per cent.

Despite this challenge, most councils continue to manage their finances proficiently and have become lean and many local authority chief financial officers (CFOs) are confident they can continue to balance the books.

Income generation is increasingly an essential part of the solution to providing sustainable local services, alongside managing demand reduction and cost efficiency. Our report gives local authorities the tools needed to maximise their ability to do so.

Our latest report shares insights on this evolution process and how and why local authorities are reviewing and developing their approach to income generation.

The report draws on:

- learning from public and private sector stakeholders
- Grant Thornton's own experience as an advisor to local government
- analysis from the Grant Thornton/CIPFA CFO Insights tool
- insight from roundtables we convened on the topic in Leeds, Bristol and Exeter.

The key messages arising from the report are:

- councils are increasingly using income generation to diversify their funding base and are commercialising in a variety of ways. This ranges from fees and charges, asset management and company spin-offs, through to treasury investments
- the ideal scenario is investing to earn with a financial and social return. Councils are striving to generate income in a way which achieves multiple strategic outcomes for the same spend; examining options to balance budgets while simultaneously boosting growth, supporting vulnerable communities and protecting the environment.
- stronger commercialisation offers real potential for councils to meet revenue and strategic challenges for 2020 onwards. While there are examples of good practice and innovation, this opportunity is not being fully exploited across the sector due to an absence of a holistic and integrated approach to corporate strategy development.

Questions to help ensure success

- Have all your options to maximise use of revenue and assets been explored?
- Do you understand what your strengths are and what you are less good at compared to the market place?
- How does each department and service compare on net income and cost recovery against neighbours and peers?
- Is it clear how generating income delivers both a financial and social return that is aligned to your local political priorities?
- Are governance processes robust enough to scrutinise business case proposals for new income generation?

The Board: creating and protecting value

Our new cross sector Board Effectiveness Report

In all sectors, boards are increasingly coming under pressure from both the market and regulators in terms of effectiveness and accountability. Building on the success of our cross sector audit committee effectiveness survey, *Knowing The Ropes*, the Grant Thornton Governance Institute extended its research to look at the effectiveness of boards across the corporate, public and not for profit sectors.

This report raises key questions that all boards should ask themselves to challenge their effectiveness. Their organisations may operate in different sectors and be subject to a variety of statutory and governance requirements, but they all share a common overriding principle: the governing body is a collective charged with developing the organisation's purpose.

Key messages:

- There is a strong future focus on boards
- Executive behaviours tend to dominate - not the best scenario for good governance or an organisation's future focus
- There are strongly held opinions about the relationship between the board and the executive which will impact on efficiency
- More than 88% of respondents see their executives as being strong leaders of the organisation
- There is a clear focus on organisational culture and values across all sectors – 93% see the executive board members modelling the values of the organisation
- Non-executives also need to live and breathe those values – only 82% of respondents agreed that the non-executives inspire and guide the executive to realise the organisation's purpose
- Only 75% of respondents feel that the recruitment process of non-executives is rigorous, well-documented or transparent
- Over 60% of board members believe that there are adequate processes in place to evaluate performance

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance. This framework allows organisations to have a better understanding about where they are focusing their energies.

Download the report here: <http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/>