

RIBBLE VALLEY BOROUGH COUNCIL

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Dear Councillor

The next meeting of the **ACCOUNTS & AUDIT COMMITTEE** is at **6.30pm on WEDNESDAY, 1 APRIL 2015** in the **TOWN HALL, CHURCH STREET, CLITHEROE.**

I do hope you can be there.

Yours sincerely

CHIEF EXECUTIVE

To: Committee Members (copy for information to all other members of the Council)
Directors
Press

AGENDA

Part 1 – items of business to be discussed in public

1. Apologies for absence.
- ✓ 2. Minutes of the meeting held on 19 November 2014 – copy enclosed.
3. Declarations of Interest (if any).
4. Public Participation (if any).

DECISION ITEMS

- ✓ 5. Closure of Accounts Timetable 2014/15 – report of Director of Resources – copy enclosed
- ✓ 6. Internal Audit Annual Plan 2015/16 – report of Director of Resources – copy enclosed.

INFORMATION ITEMS

- ✓ 7. Grants Certification Report 2013/14 – report of Grant Thornton – copy enclosed
- ✓ 8. Fraud briefing – report of Grant Thornton – copy enclosed.

- ✓ 9. Audit Plan 2014/15 – report of Grant Thornton – copy enclosed.
- ✓ 10. Accounts and Audit Committee Update – report of Grant Thornton – copy enclosed.
- ✓ 11. Internal Audit Progress Report 2014/15 – report of Director of Resources – copy enclosed.
- 12. Reports from Representatives on Outside Bodies (if any).

Part II - items of business **not** to be discussed in public

- ✓ 13. Risk Management – Update on Red Risks – report of Director of Resources – copy enclosed

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 5

meeting date: 1 APRIL 2015
title: CLOSURE OF ACCOUNTS TIMETABLE 2014/15
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

- 1.1 To remind members of the statutory requirement to closedown our accounts by 30 June 2015 and publish them including any certificate, opinion or report issued by the auditor, by 30 September 2015.
- 1.2 To inform members of the benefits of closing down our accounts by these deadlines, in particular the good governance aspects.
- 1.3 To consider the detailed timetable to be adhered to if we are to achieve the required deadlines.

2 BACKGROUND

- 2.1 The Accounts and Audit Regulations (2003) set out detailed prescription about the format and content of the statement of accounts and allocate certain responsibilities to participants in the accounts production process. In addition the Accounts and Audit Regulations (2006) introduced significant changes to these regulations. Further amendments were also made in 2009 and the regulations were more recently consolidated in 2011.
- 2.2 The Regulations state that authorities must closedown their accounts by the end of June each year. This has important implications for local authorities in terms of planning to ensure critical tasks were met and the approval of accounts carried out by the deadline.

3 THE ACCOUNTS AND AUDIT REGULATIONS

- 3.1 The principal matters covered by the regulations relevant to accounts preparation are:
 - the director of finance must ensure that the accounting records kept by the authority are sufficient to enable the preparation of the statement of accounts
 - the statement of accounts is required to be prepared in accordance with the Regulations and proper practices
 - the director of finance is required to certify that the accounts give a "true and fair view" of the financial position
 - a committee or members meeting as a whole are to approve the accounts as soon as is reasonably practicable
 - an annual review of the effectiveness of internal controls is required, which will feed into a statement on the system of internal control to be included in the statement of accounts (England only)
 - the authority is to advertise electors' rights before the statutory inspection period and upon certification that the audit is complete

- the authority is to allow access to the accounts and specified supporting documents during the public inspection period
- publication of the accounts is to be achieved by particular dates.

The Regulations stipulate various responsibilities for the closure of accounts;

Members	<ul style="list-style-type: none"> • Ensuring adequate and effective financial management • Ensuring that the authority has a sound system of internal control that facilitates the effective exercise of its functions and which includes arrangements for the management of risk • Maintaining an adequate and effective system of internal audit in accordance with proper audit practices (the CIPFA Code of Practice for Internal Audit in Local Government in the UK) • Ensuring that the statement of accounts is prepared in accordance with the Regulations • Approving by a resolution of a committee or members meeting as a whole as soon as is reasonably practicable after audit • Signing and dating of the statement of accounts by the presiding member at the approval
Chief Finance Officer	<ul style="list-style-type: none"> • Determining on behalf of the authority; <ul style="list-style-type: none"> ✓ its accounting records (including the form of accounts and supporting accounting records) ✓ its accounting control systems and ensuring that they are observed and that accounting records are maintained in accordance with 'proper practices' and are kept up to date • Ensuring that accounting records are sufficient to show the authority's transactions and to enable the chief finance officer to ensure that the statement of accounts complies with the Regulations. In particular, the records shall contain: <ul style="list-style-type: none"> ✓ entries from day to day of all monies received and expended and the matters to which the income and expenditure account relates ✓ a record of the assets and liabilities of the authority ✓ a record of income and expenditure in relation to claims for government contributions, grants and subsidies

- Ensuring that accounting control systems include:
 - ✓ measures to ensure financial transactions are recorded as soon as reasonably practicable and as accurately as reasonably possible
 - ✓ measures to enable the prevention and detection of fraud and corruption
 - ✓ the ability to reconstitute any lost records
 - ✓ identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions
 - ✓ procedures to ensure that uncollectable amounts (including bad debts) are not written off except with the approval of the responsible financial officer (RFO) (or their nominee) and that approval is shown in the accounting records
 - ✓ measures to ensure that risk is managed appropriately
- Signing and dating the statement of accounts , no later than 30 June, and certifying that it gives a “true and fair view” of the financial position of the body at the end of the year and its income and expenditure

3.2 The Regulations also contain important procedural requirements for the accounts production process;

- ❖ Authorities are required to publish their accounts as soon as reasonably possible after the auditor has certified the audit closed and in any event no later than **30 September**.
- ❖ The Regulations do not define what constitutes ‘publication’, but do confirm that it must be something more than inclusion in the agenda papers of a council or committee meeting. In previous years we decided to ‘publish’ our accounts on our website. We intend to continue publishing our accounts via this method.
- ❖ Authorities must advertise that the audit has been concluded and that the statement of accounts is available for inspection by the electors including the address at which and the hours during which the accounts are available for inspection and details of where the statement of accounts may be found on the councils web site.
- ❖ The auditor is responsible for appointing a day on which electors may exercise their rights to ask questions about the accounts and make objections and for notifying the authority of the date. The authority must make available for public inspection the accounts and supporting documents for **20 working days** before the auditor’s appointed day.
- ❖ The authority must advertise the inspection period at least **14 days before** it is to commence.

4 GOVERNANCE ISSUES

4.1 The early production of the statement of accounts is an essential element of good governance, therefore enabling members to;

- ❖ Receive assurance that accounting systems have operated adequately and have been closed down satisfactorily
- ❖ Have confidence that the budget for the current year has a secure foundation
- ❖ Understand the corporate financial performance during the year and also the position at 31 March
- ❖ Adopt the statement of accounts

4.2 It is important that members are aware of the comfort gained from having the statement of accounts published and also that this comfort should be provided at the earliest opportunity. If members fully scrutinise the accounts authorities are in an ideal situation:

- ❖ An interested readership will encourage a focus to disclosures
- ❖ A source of challenge for the content and presentation of the statement of accounts
- ❖ Demand for prompt production at the highest level in the authority that will provide muscle to attempts to meet deadlines

5 ISSUES FACING RIBBLE VALLEY

5.1 ***Budget Pressures***

Members will recall the setting of the 2015/16 budget and more significantly the forecast savings needed in the future, based on the current medium term forecast. It is therefore imperative that the accounts for the current year are closed as soon as reasonably practicable in order to inform the budget setting process for 2016/17. We will then be in a position to consider the council's reserves and balances and areas of over/under spending.

5.2 ***Practical Issues***

Last year our accounts were approved by the Accounts and Audit Committee on 25 June 2014. The final accounts, following amendments suggested by our auditors (via their Audit Findings Report), were also approved by the Accounts and Audit Committee on 27 August 2014. This arrangement worked very well with the Committee members able to give due consideration to the accounts and scrutinise areas they felt necessary.

The Accounts and Audit Regulations 2011 removed the requirement for this committee to approve the statement of accounts by the 30 June following the end of the financial year. The new requirement is for the responsible financial officer to sign and date the statements as a 'true and fair view' by no later than the 30 June.

At the time of this change, it was agreed that as good practice we would continue to seek member approval at this committee before the end of June. Therefore the statement of accounts will be presented at the next meeting of this committee on Wednesday 24 June 2015 (**subject to approval of the proposed committee meeting timetable for 2015/16**) for approval. This will be prior to the commencement of the external audit, which starts on the 29 June.

The amended final accounts, following any adjustments agreed with our auditors, will need to be approved by the end of September. Once again our external auditors are seeking to sign off the council's statement of accounts early and as a result the audited statement of accounts will be brought back to this committee on Wednesday 26 August 2015 (**subject to approval of the proposed committee meeting timetable for 2015/16**) for approval. It is important that all members endeavour to attend in order to ensure that the meeting is quorate.

5.3 ***Resource Implications***

It should be stressed that the timetable attached assumes a full complement of accountancy staff. However, there are not anticipated to be the same level of amendment to the accounts as seen in some of the previous years.

5.4 ***Timetable***

Based on our past experience, the availability of our external auditors and the statutory deadlines we have determined a timetable for the closure of our accounts, attached at Annex 1. We firmly believe it is important that all staff are aware of the importance of achieving these deadlines and understand the vital roles they also play. As you will see from the timetable, a number of tasks have already begun or been completed.

You will see this timetable is considerably detailed and clearly indicates who is responsible for which actions. We have used our experience from last year's closure to inform this year's deadlines. Again we intend to monitor when we actually achieve each individual task in order to inform future timetables.

5.5 ***The Future of Local Audit***

During August 2010, the Secretary of State for Communities and Local Government announced plans for new arrangements for the audit of local public bodies in England. The Local Audit and Accountability Act received Royal Assent in January 2014 and required secondary legislation to give effect to the new local audit arrangements. The Department for Communities and Local Government (DCLG) launched the Local Audit Consultation to seek views about the content of a large part of the proposed secondary legislation, in order to refine the regulations.

One of the areas of change proposed was the bringing forward of the date by which the audited statement of accounts must be published from September to the end of July with effect from the 2017/18 financial year.

On 5 December 2014, DCLG published the document "Future of Local Audit - Consultation on Secondary Legislation: Summary of Responses and the Government Response". Within the responses, DCLG stated that by giving 3-4 years' notice of the changes, they were providing authorities and auditors with a reasonable timescale to adjust and that DCLG were therefore minded to retain the proposed approach in bringing forward the date by which the accounts must be published to July, for the financial year 2017/18.

There have been some relatively minor changes made to the attached closedown timetable to bring forward a number of tasks. We will be working closely with Grant Thornton in order to establish how we can work together to achieve this new deadline for the 2017/18 statement of accounts. Additionally we will begin a review of how we structure our working practices during the financial year in order to ease the year end process.

DCLG has warned that it may revisit this issue in future years, to consider whether an even earlier closure timetable is possible. If so, this would likely require some fundamental changes to how we undertake the final accounts process and have a major impact on staffing resources.

6 RECOMMENDED THAT COMMITTEE

6.1 Endorse the suggested approach for the closure of the 2014/15 accounts.

HEAD OF FINANCIAL SERVICES
AA4-15/LO/AC
18 March 2015

DIRECTOR OF RESOURCES

For further information please ask for Lawson Oddie.

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
1		02 – 20 Mar 2015	Grant Thornton on site. Interim Audit looking at Financial Systems work	Lawson Oddie			
2	Mon	09-Mar-15	Send Request for all utilities meter readings to be taken as at 31 March 2015	Amy Johnson	Kay Plant Adrian Harper Tim Lynas		
3	Wed	18-Mar-15	Update Intranet pages relating to the Closure of the Accounts.	Andrew Cook	Kay Plant		
4	Wed	18-Mar-15	Circulation of closure memo and estimated creditor/debtor sheets	Andrew Cook			
5	Fri	20-Mar-15	All staff responsible for entering year end invoices onto Financials to have been contacted and any training required arranged.	Karen Anderson			
6	Mon	23-Mar-15 and on-going	Review of “open” purchase orders , i.e. cancel/match up to invoice/keep under review to accrue	Amy Johnson	Trudy Holderness Beth Taylor Andrew Cook		

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
7	Thurs	26-Mar-15	Review credit balances on Debtors prior to final run of Creditor Payments	Karen Anderson	Liz Nash/Alison Carins		
8	Thurs	26-Mar-15	Review disputed creditor invoices and debit balances prior to final run of Creditor Payments	Karen Anderson	Liz Nash/Alison Carins		
9	Thurs	26-Mar-15	Last payment run BACS/cheque dated 30 March 2015. Payment run to include ALL outstanding creditor payments (excluding disputed payments)	Karen Anderson	David Saunders		
10	Thurs	26-Mar-15	Send email to all staff asking them not to use the purchasing, creditors or debtors modules of the Financials system until notified.	Karen Anderson			
11	Tues	31-Mar-15	<p><u>ALL stock takes</u> to be carried out:</p> <ul style="list-style-type: none"> • General Stores (Depot) • Paper • Canteen Stock • Civic Regalia 	Trudy Holderness	Kay Plant Helen Smith Helen Bolton Irene Williamson Olwen Heap		

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
12	Tues	31-Mar-15	<p><u>ALL stock takes</u> to be carried out:</p> <ul style="list-style-type: none"> • Pool • Gallery/TIC 	Amy Johnson	Colin Winterbottom		
13	Tues	31-Mar-15	<p><u>ALL stock takes</u> to be carried out:</p> <ul style="list-style-type: none"> • Pest Control 	Andrew Cook	Karen Kenyon		
14	Tues	31-Mar-15	All relevant staff to have been contacted to notify them that all Goods Received Notes must be entered on to the Purchasing system where goods or services have been received by the end of the day on 31 March 2015	Beth Taylor	All staff responsible for purchasing		
15	Tues	31-Mar-15	Ensure Creditor and Debtor Reconciliation reports balance.	Karen Anderson	Liz Nash/Alison Carins		
16	Tues	31-Mar-15	Ensure All Creditor batches are closed and authorised and that Debtor invoices have all been authorised	Karen Anderson	Liz Nash/Alison Carins		

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
17	Tues	31-Mar-15	Ensure All Purchase Order requisitions are approved and authorised	Beth Taylor	All staff responsible for purchasing		
18	Tues	31-Mar-15	Enter final emergency schedule for the year on to Creditors	Karen Anderson	Karen Keenan/Carole Malone		
19	Tues	31-Mar-15	Bank Transfer to be undertaken between General Account and Disbursements Account	Karen Anderson	Trudy Holderness Kay Plant		
20	Tues	31-Mar-15	Ensure Creditors/Debtors balance reports & Aged Debtors reports are set to run at overnight	Karen Anderson			

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
21	Tues	31-Mar-15	<p>All income to be paid in to cash office (cards, cheques & cash) – See later instruction for any further income received on the 31 March after this paying-in:</p> <ul style="list-style-type: none"> ❖ Level D reception/Planning ❖ Pool ❖ TIC/Gallery ❖ Car Parks 	Sally Mason/Val Taylor	Jane Tucker Colin Winterbottom Stephanie Hibbert / Helen Cresswell Heather Yates		
22	Tues	31-Mar-15 (PM)	Print Bank Statement from HSBCnet and pass to cash office to allow for processing of any items in the bank account	Trudy Holderness Kay Plant	Michelle West		
23	Wed	1-Apr-15 (AM)	Send REMINDER email to all staff asking them not to use the purchasing, creditors or debtors modules of the Financials system until notified.	Karen Anderson			
24	Wed	1-Apr-15	Change settings on creditor and debtor transaction codes: crinv, crvat, crcrn, crcre, crcv, dbinv, dbvat, dbrn, dbcv	Lawson Oddie			

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
25	Wed	1-Apr-15	Change default year and budget settings – including funds checking budget for purchasing.	Lawson Oddie			
26	Wed	1-Apr-15	All staff responsible for petty cash books/floats/receipts to have brought them to the Accounts Section.	Sally Mason/Val Taylor	Lynne Calver Lesley Lund Irene Williamson Helen Smith Katherine Rodgers Colin Winterbottom Rachael Stott		
27	Wed	1-Apr-15	Last date for the receipt of office staff capital timesheets for charging to capital schemes	Kay Plant	All capital scheme lead officers		
28	Wed	1-Apr-15	Last date for the receipt of Grounds Maintenance timesheets.	Kay Plant	Alan Boyer		
29	Wed	1-Apr-15	Last date for the receipt of Works Administration and Vehicle Workshop timesheets.	Sally Mason/Val Taylor	Adrian Harper		

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
30	Wed	1-Apr-15	Roll Forward purchase order commitments to new financial year and provide reports to Accountants	Amy Johnson	Beth Taylor		
31	Wed	1-Apr-15	Finalise PWLB interest and average interest rate for investments	Trudy Holderness			
32	Wed	1-Apr-15	<p>All remaining income (received after the final paying-in previously made on 31 March 2014) up to the close of 31 March 2014 to be paid in to cash office (cards, cheques & cash):</p> <ul style="list-style-type: none"> ❖ Level D reception/Planning ❖ Pool ❖ TIC/Gallery ❖ Car Parks 	Sally Mason/Val Taylor	Jane Tucker Colin Winterbottom Stephanie Hibbert / Helen Cresswell Heather Yates		

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
33	Wed	1-Apr-15	Income analysis sheets for Pool, TIC/Gallery to be passed to Val Taylor/Sally Mason for period up to and including 31 March 2014	Sally Mason/Val Taylor	Colin Winterbottom (Pool) Stephanie Hibbert / Helen Cresswell (TIC and Gallery)		
34	Wed	1-Apr-15	Request information from Ribble Valley Homes for VAT shelter arrangement	Andrew Cook			
35	Wed	1-Apr-15	Cash office to have processed any remaining balances on all bank statements up to 31 March 2014	Sally Mason/Val Taylor	Michelle West		
36	Thurs	02-Apr-15	Interest allocated	Trudy Holderness			
37	Thurs	02-Apr-15	Completed Statement 1's & 2's up to & incl. 31 March 2015 to be passed to Val Taylor/Sally Mason and thereafter on a daily basis	Sally Mason/Val Taylor	Michelle West		

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
38	Thurs	02-Apr-15	Last date for receipt of completed and authorised stock sheets : <ul style="list-style-type: none"> • Stores • Paper • Canteen Stock • Civic Regalia 	Trudy Holderness	Kay Plant Helen Smith Helen Bolton Irene Williamson Olwen Heap		
39	Thurs	02-Apr-15	Last date for receipt of completed and authorised stock sheets : <ul style="list-style-type: none"> • Pool • Gallery/TIC 	Amy Johnson	Colin Winterbottom		
40	Thurs	02-Apr-15	Last date for receipt of completed and authorised stock sheets : <ul style="list-style-type: none"> • Pest Control 	Andrew Cook	Karen Kenyon		
41	Thurs	02-Apr-15	Last date for receipt of Council Tax and Business Rates prints	Kay Plant	Mark Edmondson		
42	Thurs	02-Apr-15	All sundry debtor control sheets for 2014/15 financial year to have been received in the Accounts Office	Karen Anderson	All staff		
43	Fri	3-Apr-15	Good Friday				
44	Mon	6-Apr-15	Easter Monday				

Timetable for Closure of 2014/15 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
45	Tues	07-Apr-15	Last day for receipt of holiday and lieu time records from PAs	Andrew Cook	Averil Crowther Irene Williamson Lynne Calver Colin Winterbottom Helen Smith		
46	Weds	08-Apr-15	Last date for receipt of estimated debtor sheets	Andrew Cook	All staff		
47	Weds	08-Apr-15	Bank reconciliation to have been completed and authorised	Sally Mason/Val Taylor			
48	Weds	08-Apr-15	Entry of year end cash journals	Sally Mason/Val Taylor			
49	Weds	08-Apr-15	Completion of all system reconciliations: <ul style="list-style-type: none"> • Council Tax • NNDR 	Kay Plant			
50	Thurs	09-Apr-15	Last day for entering old year invoices on Financials	Karen Anderson	All staff		
51	Fri	10-Apr-15	Last day for receipt of estimated creditor sheets	Andrew Cook	All staff		

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
52	Thurs	16-Apr-15	All suspense accounts to be cleared	Andrew Cook Trudy Holderness Amy Johnson			
53	Thurs	16-Apr-15	General Stores to be finalised	Kay Plant	Helen Smith		
54	Fri	17-Apr-15	Capital accounts finished and journals entered	Lawson Oddie	Andrew Cook		
55	Fri	17-Apr-15	Decision taken on assets to be added/written off	Lawson Oddie			
56	Wed	24-Apr-15	Receipt of IAS19 information from Lancashire County Council	Lawson Oddie			
57	Fri	01-May-15	Closedown collection fund	Lawson Oddie			

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
58	Fri	01-May-15	<p>Central establishment and other recharges to have been completed by:</p> <ul style="list-style-type: none"> • Council Offices • Bank Charges • Organisation & Member Development • Financial Services • IT Services • Chief Executives • Revenue Services • Contact Centre • Legal Services • Capital Charges 	Trudy Holderness			
59	Fri	01-May-15	<p>Central establishment and other recharges to have been completed by:</p> <ul style="list-style-type: none"> • Depot • Community Services • Grounds Maintenance • Vehicles and Plant • Balances on WKSAD and VEHCL 	Amy Johnson			
60	Fri	01-May-15	<p>Central establishment and other recharges to have been completed by:</p> <ul style="list-style-type: none"> • Use of Market Buildings 	Andrew Cook			

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
61	Fri	01-May-15	IAS19/FRS17 adjustment journals (as required) to be entered by	Lawson Oddie			
62	Mon	04-May-15	May Day				
63	Thurs	07-May-15	Election Day				
64	Wed	13-May-15	Service committee accounts to be finished and general fund summary account complete:				
			Policy & Finance Development Services	Trudy Holderness			
			Community Services	Amy Johnson			
			Health & Housing	Andrew Cook			
65	Fri	15-May-15	Annual Governance Statement to be produced by and agreed with the Director of Resources	Salma Farooq			
66	Mon	18-May-15	Send AGS to Leader and CE for signing	Salma Farooq			
67	Mon	18-May-15	Produce I&E A/C, Balance sheet	Lawson Oddie			

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
68	Mon	25-May-15	<i>Spring Bank Holiday</i>				
69	Fri	29-May-15	Produce notes to the accounts	Lawson Oddie			
70	Fri	29-May-15	Complete all other associated statements cash flow / Movement in Reserves Statement	Lawson Oddie	Andrew Cook		
71	Fri	05-Jun-15	Complete Explanatory Foreword	Lawson Oddie			
72	By Mon	08-Jun-15	Clitheroe Advertiser and Times to be contacted in order to Advertise accounts available for inspection from 29 June 2015 (Thursday 11 June 2015 edition)	Lawson Oddie	Averil Crowther		
73	Tues	09-Jun-15	Statement of Accounts to be completed	Lawson Oddie			
74	Mon	15-Jun-15	Distribution date for Accounts and Audit Committee	Lawson Oddie			

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
75	Wed	24-Jun-15	Accounts and Audit Committee meeting to approve accounts	Jane Pearson	Lawson Oddie		
76	Mon	29-Jun-15	Period of public inspection starts (20 working days before appointed day)	Lawson Oddie			
77	Mon	29-Jun-15	Grant Thornton commence final accounts audit	Grant Thornton			
78	Fri	10-Jul-15	WGA Return to be completed by (Unaudited)	Andrew Cook			
79	Fri	17-Jul-15	Revenue Outturn Forms to be completed by	Andrew Cook			
80	Thurs	30-Jul-15	Clearance meeting with Grant Thornton	Jane Pearson Lawson Oddie	Grant Thornton		
81	Fri	31-Jul-15	Grant Thornton appointed day	Grant Thornton			
82	Mon	10-Aug-15	Complete Audit Findings Report adjustments and issue final Statement of Accounts to Grant Thornton	Lawson Oddie	Grant Thornton		
83	Mon	17-Aug-15	Distribution Date for Accounts and Audit Committee	Lawson Oddie	Grant Thornton		

**Timetable for Closure of 2014/15
Accounts**

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
84	Wed	26-Aug-15	Accounts and Audit Committee meeting to consider the audit Findings Report and approve amended Final Accounts	Jane Pearson	Lawson Oddie Grant Thornton		
85	Mon	31-Aug-15	August Bank Holiday				
86	Tues	01-Sep-15	Receipt of Accounts opinion from Grant Thornton (DRAFT – to be confirmed)	Lawson Oddie	Grant Thornton		
87	Wed	02-Sep-15	Accounts to be published on website by	Lawson Oddie	Kay Plant		
88	Fri	04-Sep-15	Summary Accounts to be prepared and published on website by	Lawson Oddie	Andrew Cook Kay Plant		
89	Fri	02-Oct-15	Whole of Government Accounts return (audited) to be completed by	Andrew Cook			

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 6

meeting date: 1 APRIL 2015
title: INTERNAL AUDIT ANNUAL PLAN 2015/16
submitted by: DIRECTOR OF RESOURCES
principal author: MICK AINSCOW

1 PURPOSE

1.1 To submit to committee the internal audit plan for 2015/16.

1.2 Relevance to the Council's ambitions and priorities:

- ❖ The Council has a statutory duty to maintain an adequate and effective system of internal audit to ensure the continued efficient running of its services.

2 BACKGROUND

2.1 All local authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and the Accounts and Audit Regulations 2011. The Public Sector Internal Audit Standards require the proper planning of all audit activity.

2.2 Internal Audit ensures that good internal controls are inherent in all the Council's systems. All services have been identified into auditable areas and then subjected to a risk assessment process. This risk assessment scores each area against 4 key factors.

- Financial Impact
- Primary Objectives
- Audit Experience and Assurance
- Time since last audit

2.3 Scores are given across these four factors for each auditable area to arrive at a risk score, from which it is determined whether the area in question is high, medium or low risk. A score of 4 to 6 is regarded as low risk, of 7 to 9 as medium, and 10 and over as high.

2.4 Using the risk scoring attached at Annex 1 an operational audit plan is produced which prioritises resource allocation based on the risk score. All high risk areas are covered annually with the medium and low risk areas covered at least twice over a three year period. The number of days allocated to each area is based on past experience and level of testing required.

3 2015/16 INTERNAL AUDIT YEAR

3.1 Within the 2015/16 year all high risk category audit areas have been included in the audit plan. As there would be available resources after inclusion of the high risk areas, a number of medium risk areas (higher scoring) have been included.

3.2 The proposed audit plan for 2015/16, attached at Annex 2, has been formulated after consultation with our External Auditors. Heads of Service were also asked for their comments and for any new and emerging risks which we should be aware of.

3.3 With regard to risk management, internal audit will continue to have a monitoring role during 2015/16. Risk owners are asked to review all their risks periodically in

accordance with agreed timescales, and we will monitor all risks to ensure this is being done with any red risks being reported to this Committee.

3.4 We will continue to allow a number of days in the audit plan for contingencies. This is to account for any work carried out that is unplanned e.g. possible fraud investigations, complaints from members of the public or pieces of work carried out following specific requests from Directors or Heads of Service.

3.5 Further work will also be programmed for computer audit reviews, however, this will fall outside the audit plan as we do not have the necessary expertise in house for this area of audit work. The Council have an earmarked reserve for use in the procurement of such external provision.

4 RECOMMENDED THAT COMMITTEE

4.1 Approve the 2015/16 internal audit plan.

PRINCIPAL AUDITOR
AA1-15/MA/AC

DIRECTOR OF RESOURCES

11 March 2015

For further information please ask for Mick Ainscow.

Risk Scoring 2015/16

Annex 1

	AUDIT AREA	RISK CATEGORIES				TOTAL
		FINANCIAL IMPACT	PRIMARY OBJECTIVES	AUDIT EXPERIENCE AND ASSURANCE	TIME SINCE LAST AUDIT	
Fundamental Systems	Main Accounting	3	3	1	3	10
	Creditors	3	3	1	1	8
	Sundry Debtors	3	3	1	1	8
	Payroll	3	3	1	1	8
	Council Tax	3	3	1	1	8
	Housing Benefits	3	3	1	1	8
	NNDR	3	3	1	1	8
	Cash Receipting	3	3	2	3	11
Non-fundamental Systems	VAT	3	3	3	3	12
	Stores	2	2	1	2	7
	Procurement	3	3	1	1	8
	Treasury Management	3	3	1	1	8
Resources	Car Allowances	2	1	1	3	7
	Car Loans	1	1	1	3	6
	Car Leasing	1	1	1	3	6
	Asset Management/Register	3	3	3	3	12
	Petty Cash/Floats	1	1	1	2	5
	Staff Expenses	2	1	1	1	5
	Members' Allowances	2	3	1	1	7
	HR and Recruitment	2	3	3	3	11
Chief Executives	Insurance	3	2	2	1	8
	Land Charges	3	2	1	1	7
	Fees and Charges	3	2	1	1	7
	Clitheroe Market	2	2	1	2	7
	Cemetery	2	2	1	1	6
	Licences	2	2	1	2	7
	Building Regs	3	2	1	1	7
	Business Continuity Management/Community Safety	3	3	2	3	11
	Environmental Health	3	3	3	3	12
Civic Suite	2	2	3	3	10	
Community	Planning Applications	3	2	1	1	7
	Car Parking	3	2	2	1	8
	VIC/Platform Gallery	2	3	2	1	8
	Trade Refuse/Recycling/Refuse Collection	2	3	2	1	8
	Museum	3	2	3	3	11
	Healthy Lifestyles	2	3	3	3	11
	Ribblesdale Pool	2	3	1	1	7
Other Areas	Data Protection	1	2	1	1	5
	Partnership Arrangements	3	3	3	3	12
	Grants Received	3	3	1	1	8
	Grants Paid	3	3	1	1	8
	Flexitime System	1	1	2	1	5
	Sustainability	3	2	3	3	11
	Section 106 Agreements/Community Infrastructure Levy	3	2	3	3	11

Key:

Risk Category	Description	Scoring Methodology
Financial Impact	Based on the monetary value of the transactions involved	Highest score being those areas with substantially monetary value transactions
Primary Objectives	Based on service links to the primary objectives in the Corporate Strategy	Highest score being those areas that are key to the council achieving its primary objectives
Audit Experience and Assurance	Based on recommendations and assurance levels at past audits	Highest scores being those areas which have a poor audit experience or low levels of assurance. (New areas automatically score high)
Time since last audit	Based on the time that has elapsed since an audit was last undertaken on the service area	Highest scores being those areas which have not been audited in the past three years

Operational Audit Plan 2015/16			Days
	Number of days available		780
	Less:		
	Bank Hols/Statutory	36	
	Annual Leave	75	
	Non-Audit Duties (Insurance, etc.)	25	
	College	30	(166)
	Actual auditing days available		614
Risk Score	Area Of Activity		
	<i>Fundamental Systems</i>		
10	Main Accounting	30	
8	Creditors	30	
8	Sundry Debtors	25	
8	Payroll	30	
8	Council Tax	45	
8	Housing Benefits	40	
8	NNDR	35	
11	Cash Receipting	20	255
	<i>Non Fundamental Systems</i>		
12	VAT	20	
8	Treasury Management	12	
8	Procurement	20	52

Risk Score	Area of Activity		
	<i>Probity/Regularity</i>		
7	Car Allowances	5	
12	Asset Management/Asset Register	10	
7	Members Allowances	5	
11	HR and Recruitment/Staff Expenses	20	
8	Insurance	12	
7	Land Charges	5	
7	Fees and Charges	5	
7	Clitheroe Market	5	
11	Business Cont. Management/Community Safety	15	
8	Car Parking	10	
8	VIC/Platform Gallery	10	
8	Trade Refuse/Recycling/Refuse Collection	12	
7	Ribblesdale Pool	5	
7	Stores	8	
12	Partnership Arrangements	12	
8	Grants received	10	
8	Grants paid	10	
7	Licences	10	
11	Sustainability	15	
11	Section 106 Agreements/Community Infrastructure Levy	10	
7	Building Regulations	8	
7	Planning Applications	8	
10	Civic Suite	5	
12	Environmental Health	5	
11	Museum	5	
11	Healthy Lifestyles	5	230
	<i>Continuous Activity/Ongoing Checks</i>		
	Income Monitoring	12	12
	Contingencies	25	25
	Risk Management	15	
	Corporate Governance	20	
	Performance Indicators	5	40
	Total Planned Audit Work		614



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17 December 2014

Dear Jane

Certification work for Ribble Valley Borough Council for year ended 31 March 2014

We are required to certify certain claims and returns submitted by Ribble Valley Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified one claim and return for the financial year 2013/14 relating to expenditure of £7.7million. Further details of the claim certified is included in Appendix A.

There are no significant issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims for audit certification. We are satisfied that any recommendations raised in previous years have been addressed.

The indicative fee for 2013/14 for the Council is based on the final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. The indicative scale fee set by the Audit Commission for the Council for 2013/14 is £14,080. This is set out in more detail in Appendix B.

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see www.grant-thornton.co.uk for further details.

Yours sincerely

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2013/14

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£7,720,290	No	N/A	No	

Appendix B: Fees for 2013/14 certification work

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance (£)	Explanation for variances
eg. Housing benefits subsidy claim (BEN01)	10,140	14,080	14,080	3,940	The fee for 2013/14 is based on the 2011/12 certification fee. A similar level of work was required compared to this base year.
National non-domestic rates return (NNDR3)	842	N/A	N/A	-842	No requirement to certify this return in 2013/14
Total	10,982	14,080	14,080	3,098	

Protecting the Public Purse

Fraud Briefing 2014

Ribble Valley Borough Council



Purpose of Fraud Briefing



Provide an information source to support councillors in considering their council's fraud detection activities



Extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities



Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed



Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud

Understanding the bar charts

Outcomes for the first measure for your council are highlighted in yellow in the bar charts. The results of your comparator authorities are shown in the green bars.



Outcomes for the second measure for your council are highlighted as a green symbols above each bar. The results of your comparator authorities are shown in the white triangles.



A ‘*’ symbol has been used on the horizontal axis to indicate your council.

All data are drawn from council submissions on the Audit Commission’s annual fraud and corruption survey for the financial year 2013/14.

In some cases, council report they have detected fraud and do not report the number of cases and/or the value. For the purposes of this fraud briefing these ‘Not Recorded’ records are shown as Nil.

Comparator group

Babergh
Burnley
Chorley
Craven
Derbyshire Dales
Fylde
Hambleton
Harborough
Hyndburn
Lancaster
Maldon
Mid Devon
Mid Suffolk
North Dorset
Pendle
Preston
Ribble Valley
Richmondshire
Rossendale
Rushcliffe
South Northamptonshire
South Ribble
Tewkesbury
West Devon
West Lancashire
Wyre

Interpreting fraud detection results



Contextual and comparative information needed to interpret results



Detected fraud is indicative, not definitive, of counter fraud performance (*Prevention and deterrence should not be overlooked*)



No fraud detected does not mean no fraud committed (*Fraud will always be attempted and even with the best prevention measures some will succeed*)

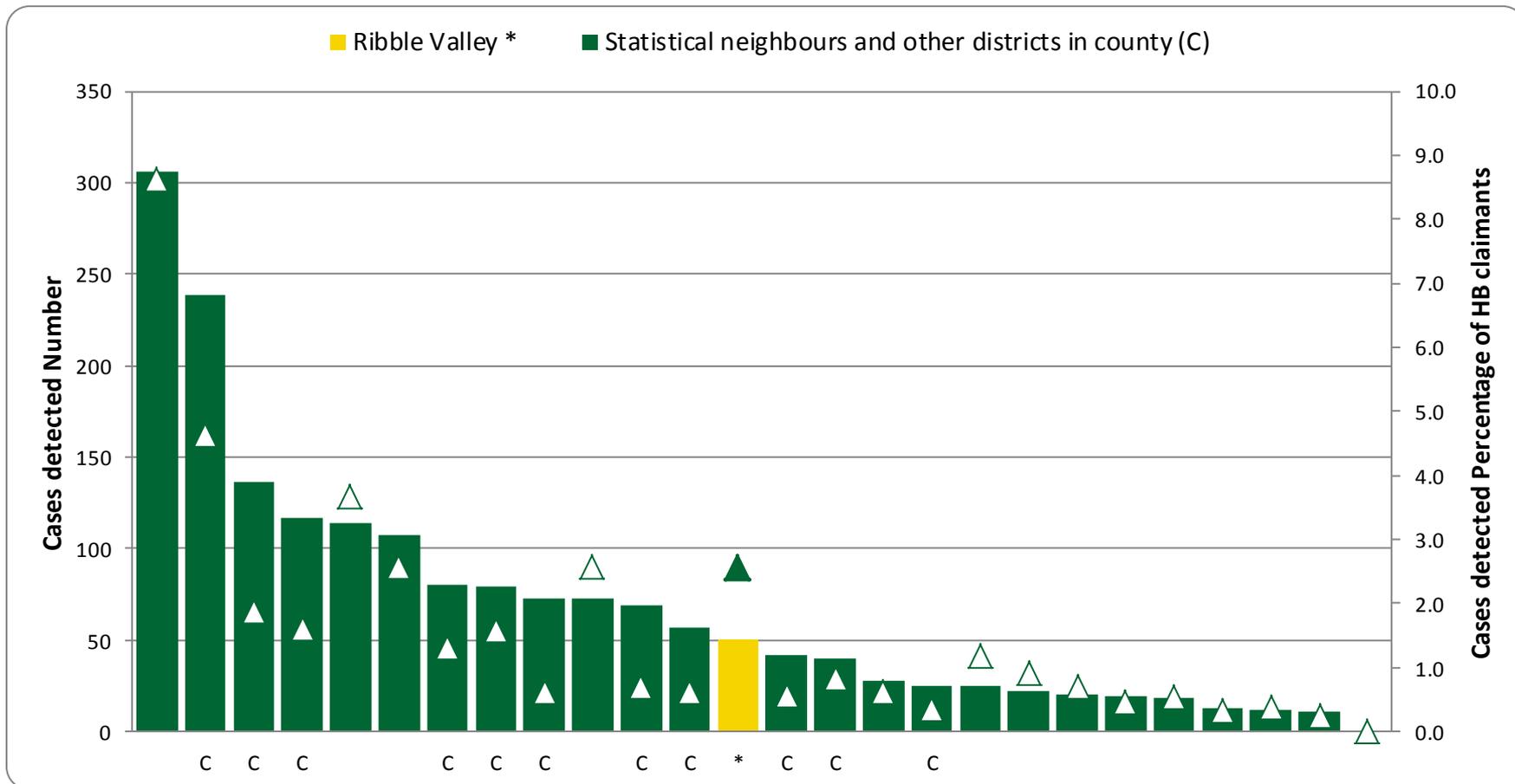


Councils who look for fraud, and look in the right way, will find fraud (*There is no such thing as a small fraud, just a fraud that has been detected early*)

Housing Benefit (HB) and Council Tax Benefit (CTB) 2013/14

Total detected cases, and as a proportion of housing benefit caseload

Ribble Valley



Ribble Valley detected 50 cases of this type of fraud. The value of detected fraud was £51,423.

Average for statistical neighbours and county: 69 cases, valued at £150,767

Councils without housing stock 2013/14

Housing tenancy fraud

4 per cent of social housing stock in London and 2 per cent outside London is subject to tenancy fraud

Second largest fraud loss to local government, £845 million

Combined with housing associations the total loss in England, £1.8 billion

The Prevention of Social Housing Fraud Act 2013: criminalises tenancy fraud

Councils have powers to investigate and prosecute tenancy fraudsters on behalf of housing associations

Should you be using this legislation and powers to work in partnership with local housing associations?

Other frauds 2013/14

Ribble Valley

Procurement: Ribble Valley did not detect any cases of this type of fraud.
Total for statistical neighbours and county: 1 case, valued at £0

Insurance: Ribble Valley did not detect any cases of this type of fraud.
Total for statistical neighbours and county: 1 case, valued at £4,500

Economic and third sector: Ribble Valley did not detect any cases of this type of fraud.
Total for statistical neighbours and county: 0 cases

Internal: Ribble Valley did not detect any cases of this type of fraud.
Total for statistical neighbours and county: 15 cases, valued at £9,630

*Correctly recording fraud levels is a central element in assessing fraud risk.
It is best practice to record the financial value of each detected case*

Questions elected members and decision makers may wish to ask

Post SFIS

Local priorities

Partnerships

Using information and data

Are our remaining counter-fraud resources and skill sets adequate after our benefit fraud investigators have left to join SFIS?

Are local priorities reflected in our approach to countering fraud?

Have we considered counter-fraud partnership working?

Are we satisfied that we will have access to comparative information and data to inform our counter-fraud decision making in the future?

Any questions?



The Audit Plan for Ribble Valley Borough Council

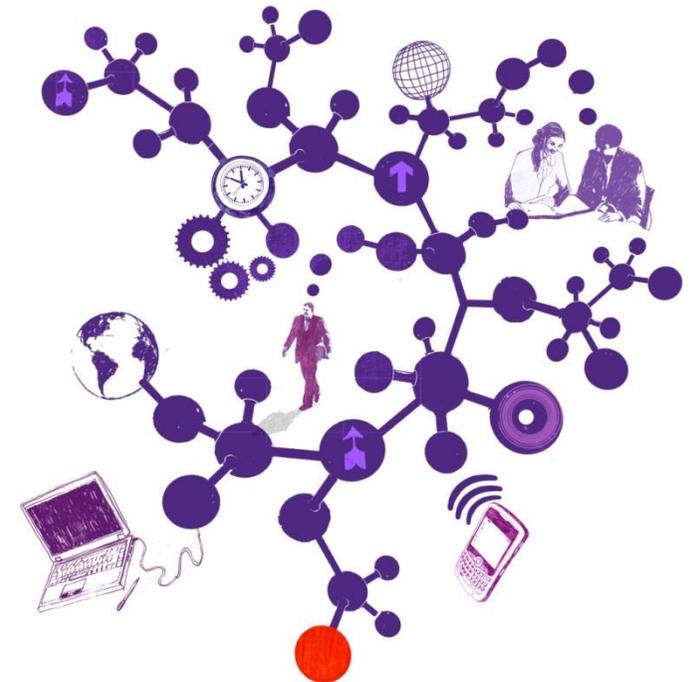
Year ended 31 March 2015

March 2015

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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 the Council 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.

Contents

Section

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. Significant risks
5. Other risks
6. Value for Money
7. Results of interim work
8. Key dates
9. Fees and independence
10. Communication of audit matters with those charged with governance

Appendices

- A. Action plan

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Financial resilience

- The latest local government financial settlement has seen a 12.1% year on year reduction in the Council's settlement funding assessment (SFA) for 2014/15 with a further year 13.9% reduction in the provisional SFA for 2015/16
- This reduction in funding continues to make the task of ensuring the delivery of Corporate priorities and affordability of spending plans over the medium term ever more challenging



2. Planning appeals

- As the Council continues to incur significant costs in relation to appeals against planning decisions, it is important that the decisions made can be robustly defended to avoid the appeal costs incurred by applicants



3. Partnership working

- Councils continue to look at different ways to deliver their services to help meet financial targets while maintaining and improving service standards
- This includes partnership working with other bodies and the voluntary sector



Our response

- We will review the Council's performance against the 2014/15 budget
- We will assess your Medium Term Financial Strategy as part of our review of your arrangements for securing financial resilience

- We will assess the completeness of related provisions in and review the level of related reserves the financial statements

- We will consider how the Council is working with its partners as part of our review of your arrangements for challenging how economy, efficiency and effectiveness is secured

Understanding your business

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements

1. Financial reporting

- Changes to the CIPFA Code of Practice
- Adoption of new group accounting standards (IFRS 10,11 and 12)

2. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

3. Other requirements

- The Council completes grant claims and returns on which audit certification is required

Our response

We will ensure that

- the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing
- the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly

- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

Our audit approach

Global audit technology

Ensures compliance with International Standards on Auditing (ISAs)

- * Understanding the environment and the entity
- * Understanding the business
- * Understanding management's focus
- * Evaluating the year's results

Inherent risks
Significant risks
Other risks
Material balances

Develop audit plan to obtain reasonable assurance that the Financial Statements as a whole are free from material misstatement and prepared in all material^a respects with the CIPFA Code of Practice framework using our global methodology and audit software



Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.



Creates and tailors audit programs

Stores audit evidence

Documents processes and controls

Significant risks

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Ribble Valley Borough Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Testing of journal entries <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of remaining journal entries • Review of unusual significant transactions

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	Work completed to date: <ul style="list-style-type: none">Documentation and assessment of the design effectiveness and implementation of internal controls Further work planned: <ul style="list-style-type: none">Review of reconciliation of accounts payable system control accountsSearch for unrecorded liabilities by comparing cash payments to suppliers in 2015/16 to supplier creditor balances as at 31 March 2015
Employee remuneration	Employee remuneration understated	Work completed to date: <ul style="list-style-type: none">Documentation and assessment of the design effectiveness and implementation of internal controls Further work planned: <ul style="list-style-type: none">Review of reconciliation of payroll costs to the general ledgerCompletion of trend analysis to assess whether employee remuneration is in line with expectations

Value for money

Value for money

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 (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- the robustness of significant assumptions made in the 2015/16 Medium Term Financial Strategy (MTFS)
- the adequacy of arrangements for identifying the significant level of savings expected to be required for 2016/17 -2017/18, as shown in the 2015/16 MTFS.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

Results of interim audit work

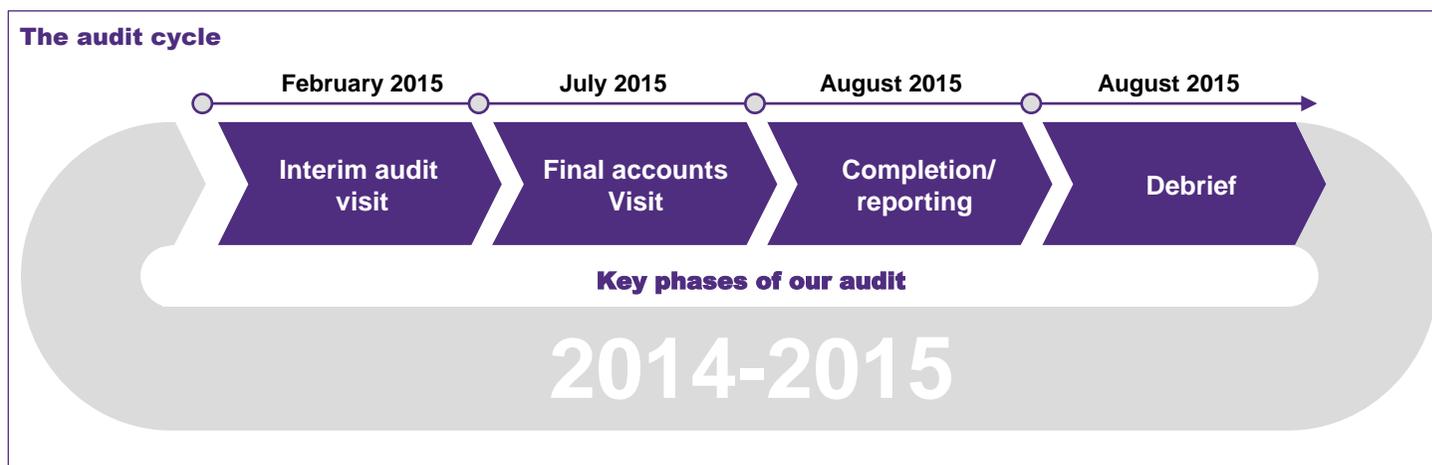
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which we wish to bring to your attention or which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p>	<p>Our work has not identified any weaknesses which we wish to bring to your attention or which impact on our audit approach. Internal controls have been implemented in accordance with our documented understanding.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none">• Communication and enforcement of integrity and ethical values• Commitment to competence• Participation by those charged with governance• Management's philosophy and operating style• Organisational structure• Assignment of authority and responsibility• Human resource policies and practices	<p>Our work has not identified any weaknesses which we wish to bring to your attention or which impact on our audit approach.</p>

Results of interim audit work cont'd

	Work performed	Conclusion
Review of information technology controls	<p>Our information systems specialists have performed a high level review of the general IT control environment, as part of the overall review of the internal controls system</p> <p>We have also performed a follow up of the issues that were raised last year</p>	<p>The output of this work will be agreed with management and we will report the findings to this committee in our audit findings report</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first 11 months of the financial year, by extracting 'unusual' entries for further review.</p>	<p>No issues have been identified from the work performed to date which we wish to bring to your attention.</p> <p>We plan to complete our testing for the final month of the financial year on receipt of the draft 2014/15 accounts</p>
Employee remuneration substantive testing	<p>Substantive testing of a sample of payroll transactions for the first 11 months of the financial year, including employer contributions</p>	<p>No issues have been identified from the work performed to date which we wish to bring to your attention</p> <p>We plan to complete our testing for the final month of the financial year prior to receipt of the draft 2014/15 accounts</p>
Operating expenses substantive testing	<p>Substantive testing of a sample of operating expenses for the first 11 months of the financial year, including agreement to source documents</p>	<p>No issues have been identified from the work performed to date which we wish to bring to your attention</p> <p>We plan to complete our testing for the final month of the financial year prior to receipt of the draft 2014/15 accounts</p>

Key dates



Date	Activity
February 2015	Planning
February 2015 – March 2015	Interim site visit
1 April 2015	Presentation of audit plan to Audit Committee
July 2015 – August 2015	Year end fieldwork
30 July 2015	Audit findings clearance meeting with the Director of Resources
26 August 2015	Report audit findings to those charged with governance (Accounts and Audit Committee)
26 August 2015	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	53,602
Grant certification (indicative fee at this stage)	14,080
Total fees (excluding VAT)	67,682

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

Fees for other services

Service	Fees £
None	Nil

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

Independence and ethics

Ethical standards and International Standards on Auditing (ISA) 260 require us to give you full and fair disclosure of matters relating to our independence. In this context, we disclose the following to you:

- a member of the Council's Accountancy section is a former employee of Grant Thornton UK LLP. We will ensure any work completed by this member of your team is reviewed by staff who did not previously work directly with him.

We confirm that there are no other significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit plan	Audit findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Accounts and Audit Committee Update

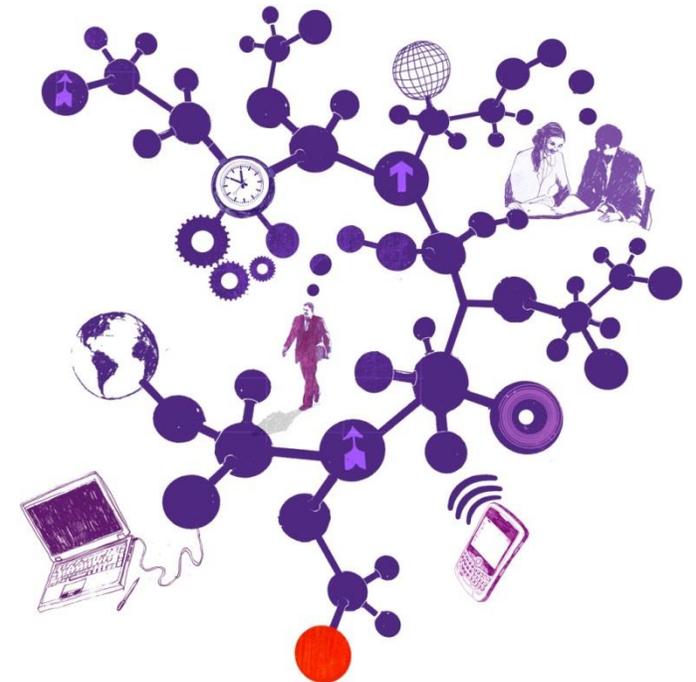
Year ended 31 March 2015

April 2015

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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 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; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

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 (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- All aboard? our local government governance review 2015
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Stronger futures: development of the local government pension scheme
- Where growth happens, on the nature of growth and dynamism across England

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 your Engagement Lead.

Progress at April 2015

Work	Planned date	Complete?	Comments
<p>2014-15 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 2014-15 financial statements</p>	March 2015	Yes	The 2014/15 Accounts Audit Plan has been discussed and agreed with the Director of Resources and Head of Financial Services
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council 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 	December 2014 – March 2015	On track	<p>Our interim accounts audit is substantially complete.</p> <p>Building on our early substantive work for employee remuneration and operating expenses, we plan to complete our work in these areas by testing related transactions for the final month of the financial year prior to receipt of the draft 2014/15 accounts</p>
<p>2014-15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion 	July 2015 – September 2015	On track	We will complete our work on receipt of the Council's draft accounts.
<p>Value for Money (VfM) conclusion The scope of our work to inform the 2014/15 VfM conclusion comprises considering whether the Council has appropriate arrangements in place for:</p> <ul style="list-style-type: none"> • securing financial resilience; and • challenging how it secures economy, efficiency and effectiveness 	September 2015	On track	Our work is underway.

All Aboard? - Local Government Governance Review 2015

Grant Thornton

Our fourth annual review of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

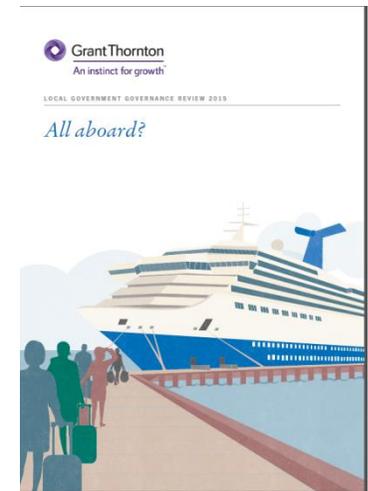
Governance of the organisation – the main area of concern highlighted in this year's governance survey is the level of dissatisfaction with the scrutiny process.

Governance in working with others – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas

Governance of stakeholder relations – despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through Many other agencies . This implies a greater role for scrutiny and a need to make sure local public sector Bodies' arrangements are as transparent as possible for stakeholders.

Hard copies of our report are available from your Engagement Lead.



Rising to the challenge

Grant Thornton

Our national report, Rising to the Challenge, the Evolution of Local Government, was published in December and is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Rising-to-the-challenge---The-evolution-of-local-government/>

This is the fourth in our series of annual reports on the financial health of local government. Like previous reports, it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

The overall message is a positive one. What stands out is how well local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010. However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams – both officers and members – have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

Hard copies of our report are available from your Engagement Lead.

2020 Vision

Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

It highlights that English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead.

Independent Commission into Local Government Finance

Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system of funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
- Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
- Multi-year financial settlements
- The ability to raise additional revenue through the relaxation of the rules on fees and charges

'Pioneer' authorities would also implement:

- Single placed-based budgets for all public services
- Management of funding equalisation across a sub-national area
- Further council tax reforms including the ability to vary council tax bands and undertake revaluations
- Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
- The establishment of Local Public Accounts Committees to oversee value for money across the placed-base budget.

Challenge question

Are members aware of the key findings of the Independent Commission's final report?

Financial sustainability of local government

Local government guidance

In November the National Audit Office published their report on the [Financial Sustainability of Local Government](#).

The report concludes that Local authorities have coped well with reductions in government funding, but some groups of authorities are showing clear signs of financial stress. The Department for Communities and Local Government has a limited understanding of authorities' financial sustainability and the impacts of funding cuts on services, according to the National Audit Office.

The Government reduced its funding to local authorities by an estimated 28% in real terms between 2010-11 and 2014-15. Further planned cuts will bring the total reduction to 37% by 2015-16, excluding the Better Care Fund and public health grant. Although there have been no financial failures in local authorities in this period, a survey of local auditors shows that authorities are showing signs of financial pressure. Over a quarter of single tier and county councils had to make unplanned reductions in service spend to deliver their 2013-14 budgets. Auditors are increasingly concerned about local authorities' capacity to make further savings, with 52% of single tier and county councils not being well-placed to deliver their medium-term financial plans.

There are significant differences in the scale of funding reductions faced by different authorities. Authorities that depend most on government grant are the ones most affected by funding reductions and reforms. This was an outcome of policy decisions to tackle the fiscal deficit by reducing public spending, and for local authority funding to offer incentives for growth.

Local authorities have tried to protect spending on social care services. Other service areas such as housing services and culture and leisure services have seen larger reductions. While local authorities have tried to make savings through efficiencies rather than by reducing services, there is some evidence of reduction in service levels.

According to the NAO, however, the Department does not monitor in a coordinated way the impact of funding reductions on services, and relies on other departments and inspectorates to alert it to individual service failures. In consequence, the Department risks becoming aware of serious problems with the financial sustainability of local authorities only after they have occurred.

The Department's processes for assessing the capacity of authorities to absorb further funding reductions are also not sufficiently robust.

Earlier closure and audit of accounts

Accounting and audit issues

DCLG is consulting on proposals to bring forward the audit deadline for 2017/18 to the end of July 2018. Although July 2018 is almost 4 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management. Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Challenge questions

- Has your Head of Financial Services put in place a plan to address the earlier close date?

Provision for Business Rates Appeals

Accounting and audit issues

Unlodged appeals

The Chancellor's Autumn Statement included a change to the rules relating to business rates appeals. As a result we do not expect to see any provisions for unlodged appeals in local authorities' 2014/15 accounts, although we will expect this to be re-considered for 2015/16 accounts.

The change restricts the backdating of Valuation Office Agency (VOA) alterations to rateable values. Only VOA alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015 can now be backdated to the period between 1 April 2010 and 1 April 2015. The aim is to put authorities in the position as if the revaluation had been done in 2015 as initially intended, before the deadline was extended to 2017.

There may be some fluctuations in provisions at 31 March 2015 as unlodged appeals provisions are released. However, there may also be increased numbers of appeals lodged prior to 31 March 2015. These appeals may be more speculative in nature and therefore authorities may need to consider whether prior year assumptions remain valid in estimating their provisions.

Utilisation of provision

As part of the provisions disclosures in the accounts, local authorities need to disclose additional provisions made in the year, the amounts used (i.e. incurred and charged against the provision) during the year and unused amounts reversed during the year.

We understand that the software used for business rates may not provide values for the amounts charged against the provision during the year and that there is no simple software solution for this for 2014/15. Local authorities will need to consider available information and make an estimate of the amount for appeals settled in the year.

Challenge questions

- Has your Head of Financial Services reassessed the methodology for making the business rates provision?
- Has your Head of Financial Services got arrangements in place for the estimation of appeals to be charged against the provision?

Inclusion of overtime in the calculation of holiday pay

Accounting and audit issues

The Employment Appeal Tribunal (EAT) has delivered its judgement on the extent to which overtime pay should be included in the calculation of holiday pay. This case stems from an apparent conflict between UK law and European Law.

The EAT found that non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but which the worker is obliged to work, if it is offered), should be included in the calculation of holiday pay. Back-dated claims can only be made if it is less than three months since the last incorrect payment of holiday pay.

It is likely that there will be an Appeal to this decision. However that does not mean that authorities should hold off assessing the impact. Local authorities should be considering their own circumstances and if necessary taking their own legal advice as to the extent they might be affected by the ruling. If an authority is going to be affected they need to assess whether the liability can be reliably measured.

For an authority likely to be affected in a material way, where it is possible to reliably measure that liability, then appropriate provision should be made in the 2014/15 accounts. The fact that the issue might go to Appeal at some uncertain time in the future is not of itself grounds for not including a provision. The chances of any success would need to be taken account of in the legal analysis but, in any case, there are some indications that the key issue on Appeal would be whether to remove the three month cap (if this were done then the provision would increase), rather than dismissing the entire decision to include overtime in the calculation of holiday pay.

Challenge question

- Has your authority taken legal advice and assessed if a provision is required in the 2014/15 accounts?

Group accounting standards

Accounting and audit issues

The CIPFA Code has adopted a new suite of standards for accounting for subsidiaries, associates and joint arrangements. These changes affect how local authorities account for services delivered through other entities and joint working with partners.

The key changes for 2014/15 are to:

- the definition of control over 'other entities'. The revised definition is set out in IFRS 10 and determines which entities are treated as subsidiaries
- the accounting for joint arrangements. This now follows IFRS 11 and includes changes to the definition of joint ventures and how joint ventures are consolidated in group accounts
- disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities as set out in IFRS 12.

Changes to the definition of control over 'other entities'

Control was previously defined in terms of power to govern the financial and operating policies of an entity. IFRS 10 sets out three elements for an investor to be considered as controlling an investee (all of which must be met):

- the investor has the rights to direct the relevant activities of the investee (relevant activities being the ones that determine the return for the investors – the return could be in the form of a service rather than money)
- the investor has exposure, or rights, to variable returns from its involvement with the investee
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

In the commercial sector, this is generally thought to have resulted in more entities being treated as subsidiaries. However, the change is in both directions: some subsidiaries have been redefined as associates. Local authorities with investments in 'other entities' will need to consider whether:

- they control any entities using the new definition. Local authorities will need to pay particular attention to special purpose vehicles and any other entities where there was a close judgement call under the old IAS 27
- there is a need for a prior period adjustment.

Group accounting standards (continued)

Accounting and audit issues

Changes to accounting for joint arrangements

Joint arrangements are contractual arrangements between two or more parties where there is joint control. IFRS 11 makes three key changes from IAS 31:

- there are now only two types of joint arrangements: joint operations and joint ventures
- In a joint operation the investing parties have rights and obligations in relation to the arrangement's assets and liabilities, whereas in a joint venture the parties have rights to the arrangement's net assets. IFRS 11 bases its definition of joint ventures on the substance of the arrangement rather than legal status. It is for the entity to assess whether a joint arrangement is a joint operation or joint venture by considering its rights and obligations arising from the arrangement. To do this the entity needs to consider the structure and legal form of the arrangement, the terms agreed by the parties and any other relevant facts and circumstances. Appendix B to IFRS 11 provides further explanation and examples of joint operations and joint ventures.
- local authorities are still required to consolidate joint ventures in their group accounts but must now do so using the equity (single line) method. The option for proportionate (line-by-line) consolidation has been removed.

The key challenge for most local authorities will be determining whether their joint arrangements are joint ventures or joint operations. The difference should be clear from the contract but in some cases judgement may be required. Local authorities that have previously used the proportionate consolidation method will need to account for the move to equity accounting as a prior period adjustment.

Disclosure of interests in other entities

IFRS 12 makes consistent the requirements for disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities. It includes the need for transparency about the risks to which the reporting entity is exposed as a consequence of its investment in such arrangements.

Challenge questions

- Has your Head of Financial Services assessed the potential impact of these standards for the authority's financial statements?



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RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 11

meeting date: 1 APRIL 2015
 title: INTERNAL AUDIT PROGRESS REPORT 2014/15
 submitted by: DIRECTOR OF RESOURCES
 principal author: MICK AINSCOW

1 PURPOSE

1.1 To report to Committee internal audit work progress to date for 2014/15.

1.2 Relevance to the Council’s ambitions and priorities:

- Corporate priorities – the Council seeks to maintain critical financial management and controls, and provide efficient and effective services.
- Other considerations – the Council has a statutory duty to maintain an adequate and effective system of internal audit.

2 BACKGROUND

2.1 Internal audit ensure that sound internal controls are inherent in all the Council’s systems. All services are identified into auditable areas and then subjected to a risk assessment process looking at factors such as financial value and audit experience. A risk score is then calculated for each area.

2.2 An operational audit plan is then produced to prioritise resources allocation based on the risk score, with all high-risk areas being covered annually.

2.3 The full internal audit plan for 2014/15 is attached as Annex 1 alongside progress to date. In summary resources for the year have been allocated as follows:

Audit Area	2014/15 Planned Days
Fundamental (Main) Systems	250
Other Systems	50
Probity and Regularity	203
On-going checks	22
Risk Management, Pl’s, Corp. Governance	53
Non-Audit Duties (Insurance)	30
College	40
Contingencies/unplanned work	25
	673

2.4 The position with regards to audit work carried out as at the end of February 2015 is included within Annex 1 and shows completed audits, audits in progress and continuous activity.

3 ISSUES

- 3.1 During the year we aim to review all of the Council's main fundamental systems. Reviews have so far taken place in relation to payroll, creditors, sundry debtors and housing benefits systems, and testing is currently ongoing on the council tax system.
- 3.2 In addition to our systems work we will continue to carry out a series of on-going checks to prevent/detect fraud and corruption.
- 3.3 At present we use an assurance system for all audits carried out. Each completed audit report contains a level of assurance opinion as follows:

Level 1	Full		The Council can place full reliance on the levels of control in operation
Level 2	Substantial		The Council can place substantial reliance on the levels of control in operation
Level 3	Reasonable		Generally sound systems of control. Some minor weaknesses in control which need to be addressed
Level 4	Limited		Only limited reliance can be placed on the arrangements/ controls in operation. Significant control issues need to be resolved.
Level 5	Minimal		System of control is weak, exposing the operation to the risk of significant error or unauthorised activity

4 REPORTS CARRIED OUT AND ASSURANCE OPINIONS

- 4.1 This report covers audit work and reports issued since the last report to Committee on 19 November 2014. The table below sets out the assurance opinions issued from these audits:

Date of Report	Assurance Opinion	Report Details
07.11.14	Substantial 	Pay and Display Car Parking – looking at cash collection and banking procedures, issuing of permits and payment of penalty notices. Minor issues only arising.
10.11.14	Substantial 	Flexible Working Hours Scheme – all aspects of the system were examined. System operating well but needs to be consistency of operation across directorates.
16.12.14	Substantial 	Ribblesdale Pool – all areas of operation at the pool were examined. Minor recommendation made regarding the Gym and Swim scheme.

Date of Report	Assurance Opinion	Report Details
09.01.15	Substantial ✓✓	Data Protection – all areas of operation running effectively. Minor recommendations regarding staff training and also the storage of backup data.
28.01.15	Full ✓✓✓	Clitheroe Cemetery – all areas of operation at the cemetery examined. Controls were sound and working effectively. No recommendations arising.
02.02.15	Substantial ✓✓	Council Tax System – controls were sound and working effectively. Recommendation made regarding the retention of supporting paperwork for single person discount cases.
27.02.15	Full ✓✓✓	NNDR System – controls were sound and working effectively. No recommendations arising.

5 QUALITY MONITORING

5.1 Customer feedback questionnaires are issued following the completion of the majority of audit work carried out. These questionnaires ask for the auditees view on the work that has been undertaken. Summary results are shown at Annex 2 for the latest returned questionnaires, and it is pleasing to note that all show an average score above our target level of 4.

6 RECOMMENDATION

6.1 Progress to date with the 2014/15 audit plan is satisfactory.

PRINCIPAL AUDITOR

DIRECTOR OF RESOURCES

AA2-15/MA/AC
17 March 2015

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow .

2014/15 Planned Days	Audit	Actual days to 28/02/14	Status as at 28/02/14
<i>Fundamental (Main) Systems</i>			
25	Main Accounting	14	
30	Creditors	26	✓
30	Sundry Debtors	28	✓
30	Payroll and HR	30	✓
45	Council Tax	48	✓
35	Housing Benefits	35	✓
35	NNDR	36	✓
20	Cash Receipting	6	
250		223	
<i>Other Systems Work</i>			
20	VAT	0	Not Started
10	Treasury Management	10	✓
20	Procurement	20	✓
50		30	
<i>Probity and Regularity</i>			
5	Car Allowances	6	✓
10	Asset Mgmt/Register	4	
5	Members Allowances	4	✓
20	HR and Recruitment/Staff Expenses	15	
10	Insurance	13	
5	Land Charges	5	✓
5	Fees and Charges	5	✓
5	Clitheroe Cemetery	8	✓
10	Business Continuity Mgmt	0	Not Started
8	Car Parking	12	✓
15	VIC/Platform Gallery	20	✓
10	Trade Refuse	12	
10	Recycling	11	
5	Ribblesdale Pool	12	✓
10	Data Protection	12	✓
10	Partnership Arrangements	0	Not Started
10	Grants received	0	Not Started
10	Grants paid	0	Not Started
10	Flexitime System	18	✓
10	Sustainability	0	Not Started
10	Section 106 Agreements	0	Not Started
5	Building Regulations	6	✓
5	Planning Applications	7	✓
203		170	

2014/15 Planned Days	Audit	Actual days to 28/02/14	Status as at 28/02/14
<i>Continuous Activity/Ongoing Checks</i>			
10	Cash Collections Procedures	5	∞
12	Income Monitoring	11	∞
22		16	
25	Contingencies/unplanned work	25	∞
25		25	
30	Risk Management	26	∞
18	Corporate Governance	19	∞
5	Performance Indicators	6	∞
53		51	
30	Insurance	32	∞
30		32	
40	Training	45	∞
40		45	
0	Vacant Post	15	
	Available audit days to 31/3/2015	66	
673		673	

Key:

In Progress



Continuous Activity



Completed

Not started No work undertaken in the current year on these audits

Question	Audit Carried Out					
	Procurement System and Related Processes	Treasury Management	Ribblesdale Pool	Pay and Display Car Parking	Council Tax System and Related Processes	Clitheroe Cemetery
1. Sufficient notice given to arrange the visit	4	4	5	4	5	5
2. Briefing sheet sent prior to audit commencing and any comments/ requests were taken into account	4	4	5	4	5	5
3. Auditors understanding of your systems and current issues	4	4	5	5	5	5
4. Audit carried out efficiently with minimum disruption	5	5	5	5	5	5
5. Level of consultation during audit	4	4	5	5	5	5
6. Audit carried out professionally and objectively	5	4	5	5	5	5
7. Draft report addressed the key issues and was soundly based	4	4	5	4	5	4
8. Opportunity to comment on findings	5	5	5	4	5	5
9. Final report in terms of clarity and conciseness	4	5	5	4	5	5
10. Prompt issue of final report	5	5	5	5	5	5
11. Recommendations will improve control and/or performance	4	4	5	4	5	4
12. Audit was constructive and added value overall	4	3	5	4	5	4
Average	4.3	4.3	5	4.4	5	4.7