

# RIBBLE VALLEY BOROUGH COUNCIL

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date: 7 November 2016

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Dear Councillor

The next meeting of the **ACCOUNTS & AUDIT COMMITTEE** is at **6.30pm on WEDNESDAY, 16 NOVEMBER 2016** 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  
Grant Thornton  
Press

## AGENDA

### Part 1 – items of business to be discussed in public

1. Apologies for absence.
- ✓ 2. Minutes of the meeting held on 17 August 2016 – copy enclosed.
3. Declarations of Pecuniary and Non-Pecuniary Interests (if any).
4. Public Participation (if any).

### DECISION ITEMS

- ✓ 5. Annual Audit Letter 2015/16 – report of Grant Thornton – copy enclosed.
- ✓ 6. External Auditor Appointments – 2018/19 Onwards – report of Director of Resources – copy enclosed.

### INFORMATION ITEMS

- ✓ 7. Confirmation of External Auditor Appointment 2017/18 – report of Director of Resources – copy enclosed.

- ✓ 8. Internal Audit Progress Report 2016/17 – report of Director of Resources – copy enclosed.
- ✓ 9. Grant Thornton Progress Update – report of Grant Thornton – copy enclosed.
- 10. Reports from Representatives on Outside Bodies (if any).

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

None.



# The Annual Audit Letter for Ribble Valley Borough Council

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**Year ended 31 March 2016**

**October 2016**

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Director

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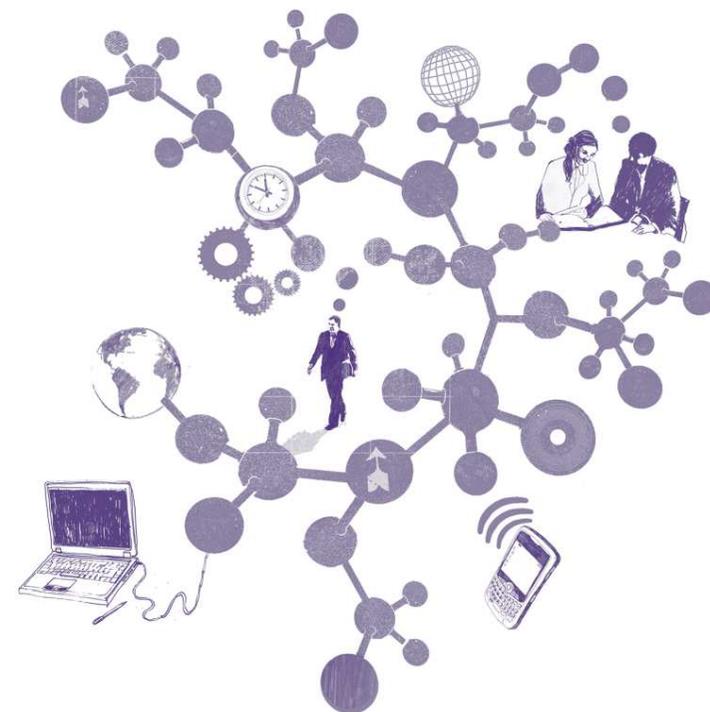
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# Executive summary

## **Purpose of this letter**

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Ribble Valley Borough Council (the Council) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Accounts and Audit Committee as those charged with governance in our Audit Findings Report on 17 August 2016.

## **Our responsibilities**

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

## **Our work**

### **Financial statements opinion**

We gave an unqualified opinion on the Council's financial statements on 18 August 2016.

### **Value for money conclusion**

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 18 August 2016

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### **Certification of grants**

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised ahead of 30 November 2016. We will report the results of this work to the Accounts and Audit Committee in our Annual Certification Letter.

### **Working with the Council**

We have worked with you to move towards the early close of the accounts. You have a good track record of preparing your accounts ahead of the deadline and we have worked with you to bring our work forward.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
**October 2016**

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# Audit of the accounts

## **Our audit approach**

### **Materiality**

In our audit of the Council's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £400,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for certain areas such as Auditor's and senior officer remuneration.

We set a lower threshold of £20,000, above which we reported errors to the Accounts and Audit Committee in our Audit Findings Report.

### **The scope of our audit**

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the accounts - Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 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 Ribble Valley Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Ribble Valley Borough Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We did not identify any issues to report.</p>
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>• reviewed entity controls</li> <li>• tested journal entries</li> <li>• reviewed accounting estimates, judgements and decisions made by management</li> <li>• Reviewed any unusual significant transactions</li> </ul> <p>We did not identify any issues to report.</p>
<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund asset and liability, as reflected in its balance sheet, represents a significant estimate in the accounts.</p> <p>The values of the pension fund net liability is estimated by specialist actuaries.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>• identified the controls put in place by management to ensure that the pension fund liability is not materially misstated.</li> <li>• assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement.</li> <li>• reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out.</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul> <p>We did not identify any issues to report.</p>

# Audit of the accounts - Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p><b>Employee remuneration</b> Employee remuneration accruals understated (Remuneration expenses not correct)</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"><li>• documented our understanding of processes and key controls over the transaction cycle</li><li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li><li>• Review of the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces</li><li>• Sample testing of payroll transactions</li><li>• Trend analysis for monthly payroll costs.</li></ul> <p>We did not identify any issues to report</p>
<p><b>Operating expenses</b> Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"><li>• documented our understanding of processes and key controls over the transaction cycle</li><li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li><li>• Substantive testing of a sample of creditor balances and accruals recognised in the year end balance sheet</li><li>• Testing of cash payments made after the year-end to identify potential unrecorded liabilities and gain assurance over the completeness of the payables balance in the accounts</li></ul> <p>We did not identify any issues to report.</p>

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# Audit of the accounts

## **Audit opinion**

We gave an unqualified opinion on the Council's accounts on 18 August 2016, in advance of the 30 September 2016 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided an excellent set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Overall the accounts were prepared to a high quality with only disclosure changes required.

## **Issues arising from the audit of the accounts**

We reported the key issues from our audit of the accounts of the Council to the Council's Accounts and Audit Committee on 17 August 2016.

## **Annual Governance Statement and Narrative Report**

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council/Authority and with our knowledge of the Council.

## **Other statutory duties**

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have not had to use any of these powers.

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# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

## Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

We carried out an initial risk assessment in February 2016 and identified no significant risks, which we communicated to you in our Audit Plan dated March 2016.

We considered risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We continued our review of relevant documents up to the date of giving our report in August 2016, and did not identify any further significant risks.

## Informed decision making

We found that you have sound arrangements in place to support your decision making. Budget information is taken to the Council on an annual basis, with the 2016/17 budget updating the project 2015/16 outturn. Council members have sufficient detail to make decisions about the budget. The well established budget working group also reviews the budget setting for the year ahead of budget proposals being taken to the full council. The Council's risk management process includes the reporting of red risks to the Accounts and Audit Committee.

## Resource deployment

The budget for 2016/17 was set by the full Council. This included updating the three year budget forecast and includes the use of business rates growth, new homes bonus and the proposed use of balances to produce a balanced budget over the period to 2019/20. The Medium Term Financial Strategy (MTFS) clearly sets out assumptions made about future levels of income and expenditure and is clear if there are risks to them. For example the consultation around new homes bonus was included as a potential risk to future income for the Council. The MTFS identified that at the date of agreeing the 2016/17 budget no additional savings were required to support the 2015/16 outturn, or in 2016/17 to balance the budget. However you have identified that savings would be required in 2017/18 (£395k) and 2018/19 (£768k) to balance the budget in 2018/19.

## Working with partners

The floods in the area at Christmas were a demonstration of how the Council worked with its key partners to respond to the flooding that impacted on residents and businesses in December 2015. The Council was heavily involved in providing an emergency response at the time of the flood and then in helping with the recovery over the following weeks and months. The Council has successfully secured central government funding through the Bellwin scheme to cover the unplanned costs associated with this.

The other two key areas where the Council is working with other partners in the area is in the establishment of the business rates pool and the move towards a combined authority for Lancashire.

The business rated pool has been set up with Lancashire County Council and some of the Lancashire districts and will be in place for 2016/17 onwards. The Council has agreed to take on the lead role in administering this pool on behalf of the participating authorities.

The combined authority has been identified as a key area for the Council to work with other Councils in Lancashire. A paper has been taken to the Full Council in December 2015 setting out the Council's involvement in the combined authority and the governance arrangements proposed.

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# Working with the Council

## **Our work with you in 2015/16**

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

An efficient audit – we delivered the accounts audit in August, well ahead of the end of September the deadline and in line with the timescale we agreed with you. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work.

Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness. We reported that you have good arrangements in place to support your decision making, to use your resources and to work with other organisations as needed to deliver services.

Sharing our insight – we provided regular accounts and audit committee updates covering best practice. Areas we covered included; Knowing the Ropes – Audit Committee Effectiveness Review, Making devolution work, Reforging local government and Better Together: Building a successful joint venture company.

We have also shared with you our insights on advanced closure of local authority accounts, including our publication "Transforming the financial reporting of local authority accounts" and will continue to provide you with our insights as you bring forward your production of your year-end accounts. We ran a workshop on the impact of early closure on your accounts which was attended by a member of your finance team.

Providing training – we provided training on financial accounts and key audit issues. The session was attended by your head of financial services.

# Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Fees

	Planned £	Actual fees £	2014/15 fees £
Statutory audit of the Council	40,202	40,202	53,602
Grant Certification	10,560	10,560	14,080
<b>Total fees (excluding VAT)</b>	<b>50,762</b>	<b>50,762</b>	<b>67,682</b>

## Reports issued

Report	Date issued
Audit Plan	March 2016
Audit Findings Report	August 2016
Annual Audit Letter	October 2016



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# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 6

meeting date: 16 NOVEMBER 2016  
title: EXTERNAL AUDITOR APPOINTMENT – 2018/19 ONWARDS  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

### 1 PURPOSE

1.1. To decide the method for appointing the Council's external auditors from 2018/19 and make recommendation to Full Council.

1.2. Relevance to the Council's ambitions and priorities:

- Community Objectives – none identified.
- Corporate Priorities - to continue to be a well-managed council, providing efficient services based on identified customer need.
- Other Considerations – none identified.

### 2 BACKGROUND

2.1. The Local Audit and Accountability Act 2014 (the Act) brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.

2.2. The Act also set out the arrangements for the appointment of auditors for subsequent years, with the opportunity for authorities to make their own decisions about how and by whom their auditors are appointed. Regulations made under the Act allow authorities to 'opt in' for their auditor to be appointed by an 'appointing person'.

2.3. In July 2016 Public Sector Audit Appointments (PSAA) were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The appointing person is sometimes referred to as the sector led body and PSAA has wide support across local government. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission under powers delegated by the Secretary of State. PSAA is an independent, not-for-profit company limited by guarantee and established by the LGA.

2.4. PSAA is inviting the Council (Annex 1) to opt in, along with all other authorities, so that PSAA can enter into a number of contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council/Authority's auditor.

2.5. The principal benefits from such an approach are as follows:

- PSAA will ensure the appointment of a suitably qualified and registered auditor and expects to be able to manage the appointments to allow for appropriate groupings and clusters of audits where bodies work together;
- PSAA will monitor contract delivery and ensure compliance with contractual, audit quality and independence requirements;
- Any auditor conflicts at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon;

- It is expected that the large-scale contracts procured through PSAA will bring economies of scale and attract keener prices from the market than a smaller scale competition;
- The overall procurement costs would be lower than an individual smaller scale local procurement;
- The overhead costs for managing the contracts will be minimised through a smaller number of large contracts across the sector;
- There will be no need for the Council/Authority to establish alternative appointment processes locally, including the need to set up and manage an 'auditor panel', see below;
- The new regime provides both the perception and reality of independent auditor appointment through a collective approach; and
- A sustainable market for audit provision in the sector will be easier to ensure for the future.

2.6. The Council's current external auditor is Grant Thornton UK LLP, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract was novated to PSAA, and since this date PSAA has demonstrated its capability in terms of auditor appointment, contract management, and monitoring audit quality.

2.7. Over recent years authorities have benefited from a reduction in fees in the order of 55% compared with fees in 2012. This has been the result of a combination of factors including new contracts negotiated nationally with the audit firms and savings from closure of the Audit Commission. The Council's current external audit fees for the main audit are £40,202 plus £6,690 for grant certification work.

2.8. The proposed fees for the subsequent years cannot be known until the procurement process has been completed, as the costs will depend on proposals from the audit firms.

2.9. The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all audit firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council.

2.10. Currently, there are only nine providers that are eligible to audit local authorities and other relevant bodies; all of these being firms with a national presence. This means that a local procurement exercise, as described immediately below, would seek tenders from these same firms, subject to the need to manage any local independence issues. Local firms could not be invited to bid.

### 3 OTHER OPTIONS

3.1. If the Council did not opt in there would be a need to establish an independent auditor panel. In order to make a stand-alone appointment the auditor panel would need to be set up by the Council itself. The members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which audit firm to award a contract for the Council's external audit.

- 3.2. Alternatively the Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
- 3.3. Neither of these options are recommended. Both these options would be more resource-intensive processes to implement and without the bulk buying power of the sector led procurement, would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process.

#### 4 INVITATION FROM PSAA TO OPT IN

- 3.4. PSAA has now formally invited this Council to opt in. Details relating to PSAA's invitation are provided at Annex 2 to this report.
- 3.5. In summary the national opt-in scheme provides the following:
- The appointment of a suitably qualified audit firm for each of the five financial years commencing 1 April 2018;
  - Appointing the same auditor to other opted in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
  - Managing the procurement process to ensure both quality and price criteria are satisfied. PSAA will seek views from the sector to help inform its detailed procurement strategy;
  - Ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise;
  - Minimising the scheme management costs and returning any surpluses to scheme members;
  - Consulting with authorities on auditor appointments, giving the Council/Authority the opportunity to influence which auditor is appointed;
  - Consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity and audit risk; and
  - Ongoing contract and performance management of the contracts once these have been let.

#### 4 NEXT STEPS

- 4.1. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Council (meeting as a whole). The Council then needs to formally respond to PSAA's invitation in the form specified by PSAA by early March 2017.
- 4.2. PSAA will commence the formal procurement process after this date. It expects to award contracts in summer 2017 and consult with authorities on the appointment of auditors so that it can make an appointment by the statutory deadline of December 2017.

## 5 RISK ASSESSMENT

### 5.1. The approval of this report may have the following implications

- Resources – There is a risk that current external fees levels could increase when the current contracts end in 2018.

Opting-in to a national scheme provides maximum opportunity to ensure fees are as low as possible, whilst ensuring the quality of audit is maintained by entering in to a large scale collective procurement arrangement.

If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees for 2018/19.

- Technical, Environmental and Legal – Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council/Authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor.

Section 12 makes provision for the failure to appoint a local auditor: the Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

- Political – None identified
- Reputation – Such risk may arise from failure to appoint a local auditor. This risk is considered best mitigated by opting in to the sector led approach through PSAA.
- Equality and Diversity – When conducting procurement activities, the council must ensure that it meets its legal obligations under the Equality Act 2010 and its associated Public Sector Equality Duty.

## 6 CONCLUSION

6.1. The Council will need to take action to implement new arrangements for the appointment of external auditors from April 2018. In order that more detailed proposals can be developed the Council/Committee is asked to give early consideration to the preferred approach.

6.2. The Council has been asked by the LGA for an indication of the preferred approach in order that it can invest resources in providing appropriate support to Councils. The LGA is strongly supportive of the SLB approach as it believes this offers best value to Councils by reducing set-up costs and having to potential to negotiate lowest fees.

7 RECOMMENDED THAT COMMITTEE

- 7.1. Recommends to Full Council the acceptance of Public Sector Audit Appointments' (PSAA) invitation to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1 April 2018.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA26-16/LO/AC  
7 November 2016

**From:** [appointingperson@psaa.co.uk](mailto:appointingperson@psaa.co.uk) [<mailto:appointingperson@psaa.co.uk>]  
**Sent:** 27 October 2016 10:08  
**To:** Marshal Scott; Jane Pearson  
**Cc:** Diane Rice  
**Subject:** Ribble Valley Borough Council - Invitation to become an opted-in authority  
**Importance:** High

**Invitation to become an opted-in authority  
The Local Audit and Accountability Act 2014 and the Local Audit (Appointing  
Person) Regulations 2015 (the Regulations)**

Public Sector Audit Appointments Limited (PSAA), being an appointing person for the purposes of the Regulations, invites Ribble Valley Borough Council (the authority) to become an opted in authority in accordance with the Regulations.

Further information is contained in the opt-in letter and additional information attached to this email. The length of the compulsory appointing period is the 5 consecutive financial years commencing 1 April 2018.

A decision to become an opted-in authority must be taken in accordance with the Regulations, that is by the members of an authority meeting as a whole, except where the authority is a corporation sole, such as a police and crime commissioner, in which case this decision can be taken by the holder of that office.

The closing date to give notice to PSAA of the authority's acceptance of our invitation is: **9 March 2017**.

A form of notice of acceptance is enclosed with this invitation to opt in. The notice of acceptance must be sent by email to: [appointingperson@psaa.co.uk](mailto:appointingperson@psaa.co.uk) and must be received **before 5pm on Thursday 9 March 2017**.

PSAA confirms it is willing to receive notices of acceptance by email to this address and will confirm receipt of all notices of acceptance by email.

Jon Hayes  
Chief Officer



27 October 2016

Email: [appointingperson@psaa.co.uk](mailto:appointingperson@psaa.co.uk)

Marshal Scott  
Ribble Valley Borough Council  
Council Offices  
Church Walk  
Clitheroe Lancashire BB7 2RA

Copied to: Jane Pearson, Director Of Resources, Ribble Valley Borough Council  
Diane Rice, Monitoring Officer, Ribble Valley Borough Council

Dear Mr Scott

### Invitation to opt into the national scheme for auditor appointments

As you know the external auditor for the audit of the accounts for 2018/19 has to be appointed before the end of 2017. That may seem a long way away, but as there is now a choice about how to make that appointment, a decision on your authority's approach will be needed soon.

We are pleased that the Secretary of State has expressed his confidence in us by giving us the role of appointing local auditors under a national scheme. This is one choice open to your authority. We issued a prospectus about the scheme in July 2016, available to download on the [appointing person](#) page of our website, with other information you may find helpful.

The timetable we have outlined for appointing auditors under the scheme means we now need to issue a formal invitation to opt into these arrangements. The covering email provides the formal invitation, along with a form of acceptance of our invitation for you to use if your authority decides to join the national scheme. We believe the case for doing so is compelling. To help with your decision we have prepared the additional information attached to this letter.

I need to highlight two things:

- we need to receive your formal acceptance of this invitation by 9 March 2017; and
- the relevant regulations require that, except for a body that is a corporation sole (a police and crime commissioner), the decision to accept the invitation and to opt in needs to be made by the members of the authority meeting as a whole. We appreciate this will need to be built into your decision making timetable.

If you have any other questions not covered by our information, do not hesitate to contact us by email at [appointingperson@psaa.co.uk](mailto:appointingperson@psaa.co.uk).

Yours sincerely

A handwritten signature in blue ink, appearing to read "Jon Hayes".

Jon Hayes, Chief Officer

PSAA, 3<sup>rd</sup> floor, Local Government House, Smith Square, London, SW1P 3HZ  
T 020 7072 7445 [www.psaa.co.uk](http://www.psaa.co.uk) Company number: 09178094

## Appointing an external auditor

### Information on the national scheme

#### **Public Sector Audit Appointments Limited (PSAA)**

We are a not-for-profit company established by the Local Government Association (LGA). We administer the current audit contracts, let by the Audit Commission before it closed.

We have the support of the LGA, which has worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national procurement body. We have established an advisory panel, drawn from representative groups of local government and police bodies, to give access to your views on the design and operation of the scheme.

#### **The national scheme for appointing local auditors**

We have been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies. This means that we will make auditor appointments to principal local government bodies that choose to opt into the national appointment arrangements we will operate for audits of the accounts from 2018/19. These arrangements are sometimes described as the 'sector-led body' option, and our thinking for this scheme was set out in a prospectus circulated to you in July. The prospectus is available on the [appointing person](#) page of our website.

We will appoint an auditor for all opted-in authorities for each of the five financial years beginning from 1 April 2018, unless the Secretary of State chooses to terminate our role as the appointing person beforehand. He or she may only do so after first consulting opted-in authorities and the LGA.

#### **What the appointing person scheme will offer**

We are committed to making sure the national scheme will be an excellent option for auditor appointments for you.

We intend to run the scheme in a way that will save time and resources for local government bodies. We think that a collective procurement, which we will carry out on behalf of all opted-in authorities, will enable us to secure the best prices, keeping the cost of audit as low as possible for the bodies who choose to opt in, without compromising on audit quality.

Our current role means we have a unique experience and understanding of auditor procurement and the local public audit market.

Using the scheme will avoid the need for you to:

- establish an audit panel with independent members;
- manage your own auditor procurement and cover its costs;
- monitor the independence of your appointed auditor for the duration of the appointment;
- deal with the replacement of any auditor if required; and
- manage the contract with your auditor.

Our scheme will endeavour to appoint the same auditors to other opted-in bodies that are involved in formal collaboration or joint working initiatives, if you consider that a common auditor will enhance efficiency and value for money.

We will also try to be flexible about changing your auditor during the five-year appointing period if there is good reason, for example where new joint working arrangements are put in place.

Securing a high level of acceptances to the opt-in invitation will provide the best opportunity for us to achieve the most competitive prices from audit firms. The LGA has previously sought expressions of interest in the appointing person arrangements, and received positive responses from over 270 relevant authorities. We ultimately hope to achieve participation from the vast majority of eligible authorities.

### **High quality audits**

The Local Audit and Accountability Act 2014 provides that firms must be registered as local public auditors with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of registered firms' work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC), under arrangements set out in the Act.

We will:

- only contract with audit firms that have a proven track record in undertaking public audit work;
- include obligations in relation to maintaining and continuously improving quality in our contract terms and in the quality criteria in our tender evaluation;
- ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any quality concerns are detected at an early stage; and
- take a close interest in your feedback and in the rigour and effectiveness of firms' own quality assurance arrangements.

We will also liaise with the National Audit Office to help ensure that guidance to auditors is updated as necessary.

### **Procurement strategy**

In developing our procurement strategy for the contracts with audit firms, we will have input from the advisory panel we have established. The panel will assist PSAA in developing arrangements for the national scheme, provide feedback to us on proposals as they develop, and helping us maintain effective channels of communication. We think it is particularly important to understand your preferences and priorities, to ensure we develop a strategy that reflects your needs within the constraints set out in legislation and in professional requirements.

In order to secure the best prices we are minded to let audit contracts:

- for 5 years;
- in 2 large contract areas nationally, with 3 or 4 contract lots per area, depending on the number of bodies that opt in; and
- to a number of firms in each contract area to help us manage independence issues.

The value of each contract will depend on the prices bid, with the firms offering the best value being awarded larger amounts of work. By having contracts with a number of firms, we will be able to manage issues of independence and avoid dominance of the market by one or two firms. Limiting the national volume of work available to any one firm will encourage competition and ensure the plurality of provision.

### **Auditor appointments and independence**

Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility, and in a way that commands public confidence.

We plan to take great care to ensure that every auditor appointment passes this test. We will also monitor significant proposals for auditors to carry out consultancy or other non-audit work, to protect the independence of auditor appointments.

We will consult you on the appointment of your auditor, most likely from September 2017. To make the most effective allocation of appointments, it will help us to know about:

- any potential constraints on the appointment of your auditor because of a lack of independence, for example as a result of consultancy work awarded to a particular firm;
- any joint working or collaboration arrangements that you think should influence the appointment; and
- other local factors you think are relevant to making the appointment.

We will ask you for this information after you have opted in.

Auditor appointments for the audit of the accounts of the 2018/19 financial year must be made by 31 December 2017.

### **Fee scales**

We will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising our own costs. Any surplus funds will be returned to scheme members under our articles of association and our memorandum of understanding with the Department for Communities and Local Government and the LGA.

Our costs for setting up and managing the scheme will need to be covered by audit fees. We expect our annual operating costs will be lower than our current costs because we expect to employ a smaller team to manage the scheme. We are intending to fund an element of the costs of establishing the scheme, including the costs of procuring audit contracts, from local government's share of our current deferred income. We think this is appropriate because the new scheme will be available to all relevant principal local government bodies.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk, most likely as evidenced by audit fees for 2016/17. Pooling means that everyone in the scheme will benefit from the most competitive prices. Fees will reflect the number of scheme participants – the greater the level of participation, the better the value represented by our scale fees.

Scale fees will be determined by the prices achieved in the auditor procurement that PSAA will need to undertake during the early part of 2017. Contracts are likely to be awarded at the end of June 2017, and at this point the overall cost and therefore the level of fees required will be clear. We expect to consult on the proposed scale of fees in autumn 2017 and to publish the fees applicable for 2018/19 in March 2018.

## Opting in

The closing date for opting in is 9 March 2017. We have allowed more than the minimum eight week notice period required, because the formal approval process for most eligible bodies, except police and crime commissioners, is a decision made by the members of an authority meeting as a whole.

We will confirm receipt of all opt-in notices. A full list of authorities who opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters that would prevent us appointing a particular firm.

If you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2018. The earliest an auditor appointment can be made for authorities that opt in after the closing date is therefore for the audit of the accounts for 2019/20. We are required to consider such requests, and agree to them unless there are reasonable grounds for their refusal.

## Timetable

In summary, we expect the timetable for the new arrangements to be:

- Invitation to opt in issued 27 October 2016
- Closing date for receipt of notices to opt in 9 March 2017
- Contract notice published 20 February 2017
- Award audit contracts By end of June 2017
- Consult on and make auditor appointments By end of December 2017
- Consult on and publish scale fees By end of March 2018

## Enquiries

We publish frequently asked questions on our [website](#). We are keen to receive feedback from local bodies on our plans. Please email your feedback or questions to: [appointingperson@psaa.co.uk](mailto:appointingperson@psaa.co.uk).

If you would like to discuss a particular issue with us, please send an email to the above address, and we will make arrangements either to telephone or meet you.

## RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 7

meeting date: 16 NOVEMBER 2016  
title: CONFIRMATION OF EXTERNAL AUDITOR APPOINTMENT – 2017/18  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

### 1 PURPOSE

1.1 To inform members of the confirmed appointment of Grant Thornton UK LLP as the council's external auditor for 2017/18.

1.2 Relevance to the Council's ambitions and priorities:

- Community Objectives – none identified.
- Corporate Priorities - to continue to be a well-managed council, providing efficient services based on identified customer need.
- Other Considerations – none identified.

### 2 BACKGROUND

2.1 The Local Audit and Accountability Act 2014 (the Act) brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.

2.2 In summary Public Sector Audit Appointments (PSAA) were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015.

2.3 On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.

### 3 LATEST POSITION

3.1 We have now been formally notified of the appointment of Grant Thornton UK LLP as the council's external auditor for 2017/18. A copy of the letter that has been received from Public Sector Audit Appointments (PSAA) is attached at Annex 1.

3.2 A report is included elsewhere on the agenda with regard to external audit appointments for 2018/19 and beyond.

### 4 CONCLUSION

4.1 We have received notification from Public Sector Audit Appointments (PSAA) that Grant Thornton UK LLP have been appointed as our external auditors for 2017/18.

4.2 This is an extension of the appointment made under section 3 of the Audit Commission Act for the audit of the accounts up to 2016/17, under the audit contracts previously let by the Audit Commission.

HEAD OF FINANCIAL SERVICES  
AA24-16/LO/AC  
1 November 2016

DIRECTOR OF RESOURCES



22 September 2016

Jane Pearson  
Director of Resources  
Ribble Valley Borough Council  
Council Offices  
Church Walk  
Clitheroe  
Lancashire  
BB7 2RA

Email [auditorappointments@psaa.co.uk](mailto:auditorappointments@psaa.co.uk)

Dear Ms Pearson

**Ribble Valley Borough Council - confirmation of auditor appointment for 2017/18**

I am writing to confirm the appointment of Grant Thornton UK LLP to audit the accounts of Ribble Valley Borough Council for 2017/18.

This is an extension of the appointment made under section 3 of the Audit Commission Act for the audit of the accounts up to 2016/17, under the audit contracts previously let by the Audit Commission. The auditor appointment has been extended for one year as a consequence of the extension of the transitional arrangements made by the Department of Communities and Local Government.

The appointment of Grant Thornton UK LLP under the current audit contracts will conclude with the completion of the audit of the accounts for 2017/18.

**Extension of the transitional arrangements**

Following the closure of the Audit Commission in 2015, the Secretary of State for Communities and Local Government delegated statutory functions on a transitional basis from the Audit Commission Act 1998 to PSAA. These were delegated by a commencement order made under the Local Audit and Accountability Act 2014.

In October 2015, the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the audit contracts for a period of one year for audits of principal local government bodies only. A commencement order was made on 27 June 2016, supported by a revised letter of delegation to PSAA.

The audit contracts novated to PSAA have therefore also been extended for one year for principal local government bodies, and will end with the completion of the audits of the 2017/18 accounts.



### **Changes to auditor appointments**

Please be aware that it is a statutory requirement for PSAA to make the auditor appointment for principal local government bodies for 2017/18, on the basis of the provisions set out in the Audit Commission Act 1998.

If you wish to make representations about the extension of the current auditor appointment, please send them by email to [auditorappointments@psaa.co.uk](mailto:auditorappointments@psaa.co.uk) by 7 **October 2016**. Your email should set out the reasons why you think the appointment should change. Any changes in auditor appointments can only be made under these audit contracts for the 2017/18 audit.

We will consider carefully any representations you make about your current auditor appointment. If we accept your representations, we will consult you on an alternative appointment.

### **Local auditor appointment requirements from 2018/19**

The arrangements for local auditor appointment set out in the Local Audit and Accountability Act will apply for audits of the accounts of principal local government bodies from 2018/19 onwards. Auditor appointments must be made for 2018/19 audits by 31 December 2017, as required by section 7 of the Local Audit and Accountability Act 2014. Appointments may be made by the audited body itself, by groups of audited bodies, or by a specified appointing person.

PSAA has been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies under the provisions of the 2014 Act. This means that PSAA will make auditor appointments to relevant principal local government bodies that choose to opt into the national appointment arrangements PSAA is developing. We will be communicating with audited bodies separately on this.

If you have any questions about your auditor appointment, please email us at [auditorappointments@psaa.co.uk](mailto:auditorappointments@psaa.co.uk).

Yours sincerely

A handwritten signature in blue ink, appearing to read "Jon Hayes".

Jon Hayes  
Chief Officer

# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 8

meeting date: 16 NOVEMBER 2016  
 title: INTERNAL AUDIT PROGRESS REPORT 2016/17  
 submitted by: DIRECTOR OF RESOURCES  
 principal author: MICK AINSCOW

### 1 PURPOSE

1.1 To report to Committee internal audit work progress to date for 2016/17.

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 2016/17 is attached as Annex 1 alongside progress to date. In summary resources for the year have been allocated as follows:

Audit Area	2016/17 Planned Days
Fundamental (Main) Systems	245
Other Systems	68
Probity and Regularity	225
On-going checks	12
Risk Management, Performance Indicators	40
Non-Audit Duties (Insurance)	25
College	30
Contingencies/unplanned work	25
	<b>670</b>

2.4 The position with regards to audit work carried out as at the end of October 2016 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 the Housing Benefits and Cash Receipting systems. Testing is also largely complete on the Payroll and Sundry Debtor systems.
- 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 conclusion which gives 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 17 August 2016. The table below sets out the assurance opinions issued from these audits:

Date of Report	Assurance Opinion	Report Details
11.08.16	Full 	Fees and Charges – ensuring that fees approved by committee were those being charged by respective departments. All fees correct – no recommendations arising.
16.08.16	Substantial 	Pay and Display car parking – looking at cash collection and banking procedures, issuing of permits and payment of penalty notices. Recommendation made regarding more frequent reconciliation of penalty notice monies.
22.08.16	Full 	Grants paid/received – looked at a sample across all services to ensure transparency. Good controls in place with no recommendations arising.

Date of Report	Assurance Opinion	Report Details
22.08.16	Full 	Members Allowances – examination into the payment of allowances to members between May 2015 and May 2016. All payments made were correct.
22.08.16	Full 	Clitheroe Cemetery – all areas of operation at the Cemetery were examined. Controls were sound and working effectively. No recommendations arising.
26.08.16	Reasonable 	Countryside Grants – looking at grants paid within the Planning Services Section and specifically those administered by the Countryside Officer. A number of recommendations agreed including annual report of approved grants, implementation of a grant award scheme, all supporting paperwork to be obtained and grants being made available to all interested parties.
26.08.16	Full 	Platform Gallery/VIC – all areas of operation examined. Controls in place are operating as intended. No recommendations arising.
21.09.16	Substantial 	Asset Management – looking at purchase and disposal of assets and accurate recording in asset register and verification that all assets are properly insured. The only issue was around office inventories not being up to date. This was addressed during the audit and all have now been updated.
27.10.16	Full 	Land Charges – controls in place are sound and operating effectively. No recommendations arising.
31.10.16	Full 	Ribblesdale Pool – all areas of operation at the pool were examined. No recommendations arising.
31.10.16	Full 	Cash Receipting, Banking and Cheque Control – sound system of internal control operating. Controls in place were being consistently applied. 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.

## 6 UPDATE ON RED RISKS – WASTE MANAGEMENT

- 6.1 The scoring of this risk remains the same as that reported to the last meeting of this Committee on 17 August 2016, with just one red risk in respect of waste management and the withdrawal of cost sharing in March 2018. Regular monitoring of this risk will continue.
- 6.2 Community Services Committee have been receiving reports focussing on a range of options available to mitigate the loss of income from the withdrawal of cost sharing.

## 7 CONCLUSION

- 7.1 Progress to date with the 2016/17 audit plan is satisfactory.
- 7.2 There has been no further change to the status of our red risk since the last meeting of Committee.

PRINCIPAL AUDITOR

DIRECTOR OF RESOURCES

AA23-16/MA/AC  
1 November 2016

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow .

## Annex 1

2016/17 Planned Days	Audit	Actual days to 31/10/16	Status as at 31/10/16
<i>Fundamental (Main) Systems</i>			
25	Main Accounting	0	Not started
25	Creditors	0	Not started
25	Sundry Debtors	23	Testing largely complete
30	Payroll and HR	29	Testing largely complete
40	Council Tax	10	Initial testing
45	Housing Benefits/CT Support	44	At draft report stage
40	NNDR/Business Rates Pooling	10	Initial testing
15	Cash Receipting	16	✓
<b>245</b>		<b>132</b>	
<i>Other Systems Work</i>			
20	VAT	14	Additional testing to that carried out in 15/16
12	Treasury Management	0	Not started
20	Procurement	22	✓
6	Stores	0	Not started
10	Asset Management	11	✓
<b>68</b>		<b>47</b>	
<i>Probity and Regularity</i>			
5	Cemetery	5	✓
5	Members Allowances	6	✓
15	HR and Recruitment/Staff Expenses	13	Testing largely complete
15	Insurance	0	Not started
5	Land Charges	5	✓
10	Fees and Charges/Cash Collection Procedures	10	✓
15	Business Continuity Mgmt	9	Testing underway
10	Car Parking	10	✓
5	VIC/Platform Gallery	7	✓
10	Trade and Domestic Refuse Collection	3	Initial testing
15	Externally contracted Provision of RVBC Services	0	Not started
10	Environmental Health	6	Identifying income streams
10	Transparency/Open Data	0	Not started
5	Healthy Lifestyles	6	✓
5	Ribblesdale Pool	6	✓
10	Museum/Café	2	Identifying income streams
10	Partnership Arrangements	0	Not started
10	Grants received	11	✓

2016/17 Planned Days	Audit	Actual days to 31/10/16	Status as at 31/10/16
10	Grants paid	11	✓
10	Data Protection	8	Testing largely complete
15	Section 106 Agreements/Planning Enforcement	3	Initial testing
10	Building Control	0	Not started
10	Planning Applications	0	Not started
<b>225</b>		<b>121</b>	
<i>Continuous Activity/Ongoing Checks</i>			
12	Income Monitoring	7	∞
25	Contingencies/unplanned work	16	Driving Licence/Car Insurance Check, Election Duties and Jury Service
15	Risk Management	5	∞
20	Corporate Governance	20	∞
5	Performance Indicators	5	∞
<b>40</b>		<b>30</b>	
25	Insurance	20	∞
30	Training	19	∞
	Available audit days to 31/3/2017	278	
<b>670</b>		<b>670</b>	

**Key:**

∞ Continuous Activity

✓ Completed

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

## Annex 2

Question	Audit Carried Out				NDR System	Salthill Depot Stores
	Payroll Systems and Procedures	Healthy Lifestyles	Procurement System	Council Tax System		
Sufficient notice given to arrange the visit (not applicable for unannounced visits)	5	5	5	5	5	5
A briefing sheet sent prior to audit commencing and any comments/ requests were taken into account during the audit	4	5	5	5	5	5
The auditors understanding of your systems and any operational issues	5	5	3	5	5	4
The audit carried out efficiently with minimum disruption	5	5	5	5	5	4
The level of consultation during the audit	4	5	2	5	5	4
The audit was carried out professionally and objectively	5	5	4	5	5	4
The draft report addressed the key issues and was soundly based	5	5	5	5	5	4
Your opportunity to comment on findings	5	5	5	5	5	4
The final report in terms of clarity and conciseness	5	5	5	5	5	4
The prompt issue of final report	5	5	3	5	5	4
The recommendations will improve control and/or performance	5	5	3	5	5	4
Audit was constructive and added value overall	5	5	3	5	5	4
<b>Average</b>	<b>4.8</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>4.2</b>

**5 = Very good**

**4 = Good**

**3 = Satisfactory**

**2 = Just adequate**

**1 = Poor**

# Accounts and Audit Committee Progress and Update Report for Ribble Valley Borough Council

November 2016

**Karen Murray**

Engagement Lead

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Audit Manager

**T** 0161 234 6355

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**Amelia Payton**

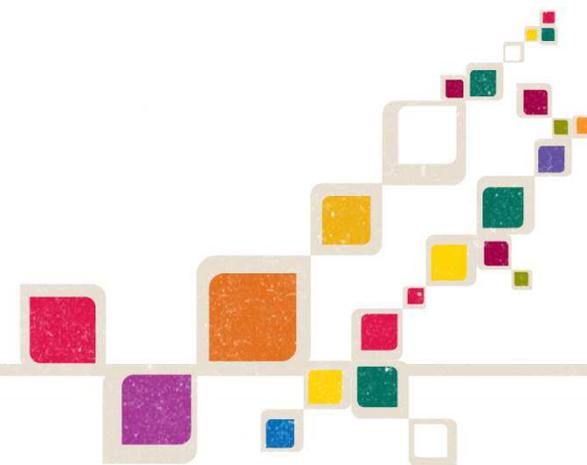
In Charge Auditor

**T** 0161 953 6943

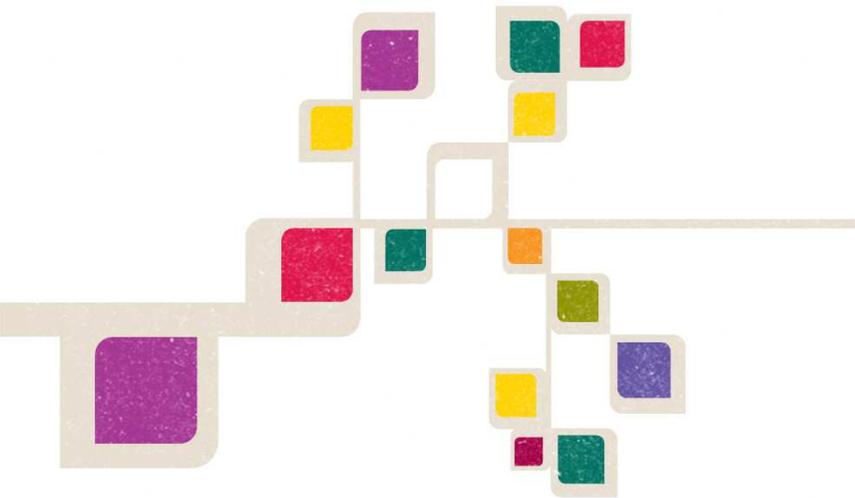
**E** amelia.l.payton@uk.gt.com



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 Accounts and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Accounts and Audit Committee may be interested in our Greater Manchester Health Pioneer event which we are running on 24 November 2016 – see page 13.

To register go to <https://sites-grant-thornton.vuturevx.com/55/1031/landing-pages/your-vip-manchester-live-invitation.asp>

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- Innovation in public financial management (December 2015); [www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/](http://www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/)
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); [www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/](http://www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/)
- Your Generation: Making decentralised energy happen <http://www.grantthornton.co.uk/en/insights/making-decentralised-energy-happen/>
- Reforging local government: Summary findings of financial health checks and governance reviews (December 2015) <http://www.grantthornton.co.uk/en/insights/reforging-local-government/>,
- Culture of Place: A copy of the report and a collection of short videos can be found on our website at: <http://www.grantthornton.co.uk/en/insights/culture-of-place/>

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

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

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



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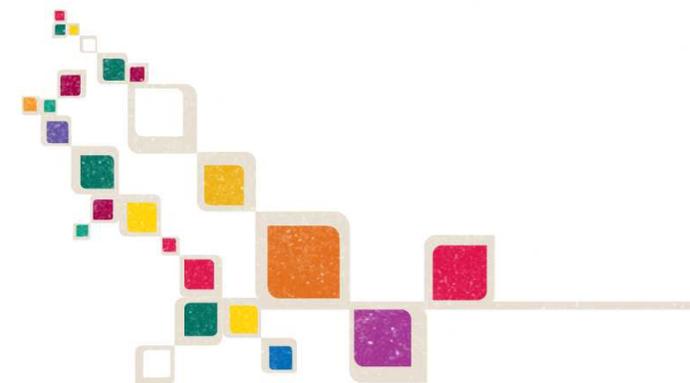
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# Progress at November 2016



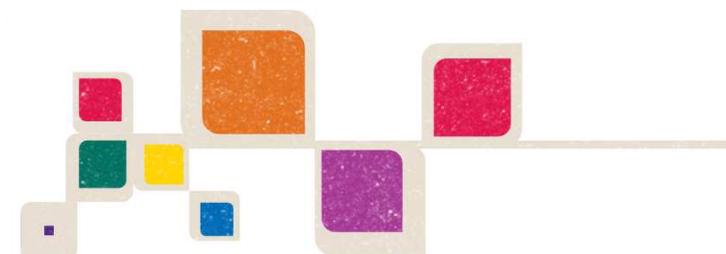
 **Progress against plan**  
On track

 **Opinion and VfM conclusion**  
Issued 24 August 2016, before the deadline of 30 September 2016

 **Outputs delivered**  
Fee letter, Audit Plan, Progress Reports, Audit Findings Report and Annual Audit Letter delivered to plan

2015/16 work	Completed	Comments
<p><b>Final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>Audit of the 2015-16 financial statements</li> <li>proposed opinion on the Council's accounts</li> </ul>	June - August 2016	<p>The draft accounts were received in June. We began work on site on 6 June 2016.</p> <p>We substantially completed our audit by the end of July as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>The findings from our final accounts work were reported to the Audit and Accounts Committee on 17 August 2016, after which we issued an unqualified audit opinion.</p>
<p><b>Annual Audit Letter</b> Our Annual Audit Letter summarises the key findings arising from the work that we have carried out for the year ended 31 March 2016.</p>	October 2016	<p>We issued our Annual Audit Letter on 18 October 2016 and it is to be presented to the Accounts and Audit Committee at this meeting.</p> <p>The Annual Audit Letter also confirms that we certified that we have completed the audit of the accounts of the Council.</p>
<p><b>Other activities</b> We provide a range of workshops, along with publications to support the Council.</p>	On-going	<p>In February 2016 we provided a local workshop covering changes to accounting standards and the Code of Practice, and emerging issues and future developments, to support officers involved in the preparation of the Financial Statements.</p> <p>Further details of the publications that may be of interest to the Council are set out from page 7.</p>
<p><b>Housing Benefit Subsidy claim</b> We are required to review and certify the claim by 30 November 2016.</p>	On track	<p>We are currently completing our work on the claim and are on track to meet the deadline of 30 November 2016.</p>

# Progress at November 2016



2016/17 work	Completed	Comments
<p><b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016/17 financial statements.</p>	March 2017 On track	
<p><b>Interim accounts audit</b> Our interim fieldwork visit will include:</p> <ul style="list-style-type: none"> <li>• updated review of the Council's control environment</li> <li>• updated understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> </ul>	January 2017	We will agree dates for the interim visit and our early testing with your finance team.
<p><b>Final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	June and July 2017 On track	
<p><b>Value for Money (VfM) conclusion</b> The scope of our work is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources". The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	January to August 2017 On track	

# Grant Thornton Sector Issues



# Financial sustainability of local authorities: capital expenditure and resourcing

National Audit Office

According to the NAO, Local authorities in England have maintained their overall capital spending levels but face pressure to meet debt servicing costs and to maintain investment levels in their existing asset bases.

Since 2010-11, local authorities have faced less pressure on their resources to support capital expenditure as compared to revenue. Although local authorities' revenue spending power fell by over 25 per cent in real terms from 2010-11 to 2015-16, the NAO estimates that capital grants to authorities marginally increased from 2010-11 to 2014-15, (excluding education).

Capital spending by authorities increased by more than five per cent in real terms overall between 2010-11 and 2014-15, but this is uneven across local authorities and service areas. Almost half of authorities reduced their capital spending. Most service areas saw an increase in capital spend with the exception of culture and leisure: capital spending fell by 22 per cent overall in this area.

The NAO's report, published on 15 June, found that authorities face a growing challenge to continue long-term investment in their existing assets. Total spending has remained stable, but increasingly capital activities are focused on 'invest to save' and growth schemes that cover their costs or have potential to deliver a revenue return. Many areas of authorities' asset management programmes do not meet these criteria and are now seen as a lower priority.

The report also notes that local authorities' debt servicing costs have grown as a proportion of revenue spending as revenue resources have fallen. A quarter of single-tier and county councils now spend the equivalent of 10 per cent or more of their revenue expenditure on debt servicing, with metropolitan district councils being particularly exposed.

According to the NAO, DCLG has rightly focused on revenue issues in the 2015 Spending Review but in future reviews will need to focus more on capital. The Department is confident from its engagement with authorities that revenue pressures are their main concern, however the NAO's analysis demonstrates that capital costs exert significant and growing pressure on revenue resources.

The full report is available at:

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/>

# Grant Thornton Technical update





## Accounting and audit issues

### Flexible use of capital receipts

DCLG has issued a [Direction and Statutory Guidance](#) on the flexible use of capital receipts to fund the revenue costs of reform projects. The direction applies from 1 April 2016 to 31 March 2019.

The Direction sets out that expenditure which 'is incurred by the Authorities that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners' can be treated as capital expenditure.

Capital receipts can only be used from the disposals received in the years in which the flexibility is offered rather than those received in previous years.

Authorities must have regard to the Statutory Guidance when applying the Direction.

### Challenge questions:

- Is your Director of Resources aware of this new direction?

# Grant Thornton Publications and events



# Website Relaunch

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below – <http://www.grantthornton.co.uk/industries/public-sector/>





## Grant Thornton Event

Is the Council aware of this event?

### Great health improves individual prospects and economic prosperity. But are we truly realising this as a region?

Greater Manchester has so many outstanding things going for it: trail-blazing businesses with people's wellbeing at the core, technological innovation, world-class universities, a variety of on-going health initiatives and a devolved healthcare budget of £6 billion. Yet health levels are lower in this region than in others across the UK, so how can we realise our region's potential to create a healthy population and the benefits this could bring to Manchester's economy and its people?

- What if we better connected the public, private and not for profit sectors?
- What if a broader range of people committed to collectively improving health outcomes?
- What if communities could reduce their demand on the NHS?
- What if businesses increased the health and wellbeing of their employees?
- What if best practice was showcased, replicated and accelerated?
- What if technology companies found it easier to pilot health innovations?

### Join us on 24 November 2016 to consider actions that will answer the question: How do we all mobilise Greater Manchester to pioneer world class health?

You'll be joined by around 200 dynamic individuals from across the region – leaders from business, charities, education and the public sector, influencers, creative brains and people in our community – for an inspirational day of innovation, inquiry and transformation.

It will be an inventive and practical day of 'sleeves rolled-up' working together to explore the potential, share ideas and come up with real actions that will help our region be the healthiest it can be. This is not a talking shop! To register go to <https://sites-grant-thornton.vuturevx.com/55/1031/landing-pages/your-vip-manchester-live-invitation.asp>

# Culture of Place

## Our towns, counties and cities have distinct and varied cultures

Our towns, counties and cities have their own compelling and richly varied cultures. There are shared and sometimes contested values, local traditions, behaviours and drivers for change. Culture evokes memory and identity. It affects how we feel about where we live and work and what's possible. It can be a set of stories describing how we do things around here, bringing out the best in us – like our history and heritage – but also preventing us from moving forward.

With local authorities increasingly adopting a place-shaping role we're exploring how culture impacts on the sector's ability to facilitate and support a vibrant economy.

We have hosted two round tables with local authority CEOs, leaders and others, to consider how local authority leadership needs to change if it is to take local culture into account.

From conversations with local authority CEOs, leaders and others, we have collated a selection of stories that invite us all to think about how the sector can disrupt fixed thinking, open up cultures and energise our places. They go beyond what's immediately obvious, voice what is sometimes unsaid and work with the strengths of their place.

Although the term culture of place is heavily subjective our initial conversations suggest there are some common themes occurring.

- The place leader is the story teller – leaders need to be more deliberate in their storytelling, helping communities make sense of a complex world, the past, present and possible futures
- Being clear about what they want to see – there is a strong need to create an environment that gives people permission to care, to be innovative, to take action themselves, to adapt and experiment
- Socio-economic situations often drive the culture – the uniqueness of socio-economic factors leads to a recognition that one place will never be like another – and, in fact, should not aspire to be so - instead tailoring their approach to the areas specific strengths.
- It's all about context – areas within Britain can be local, national and international all at the same time, learning to live with, and get the best advantage from, what's on our doorstep is key.

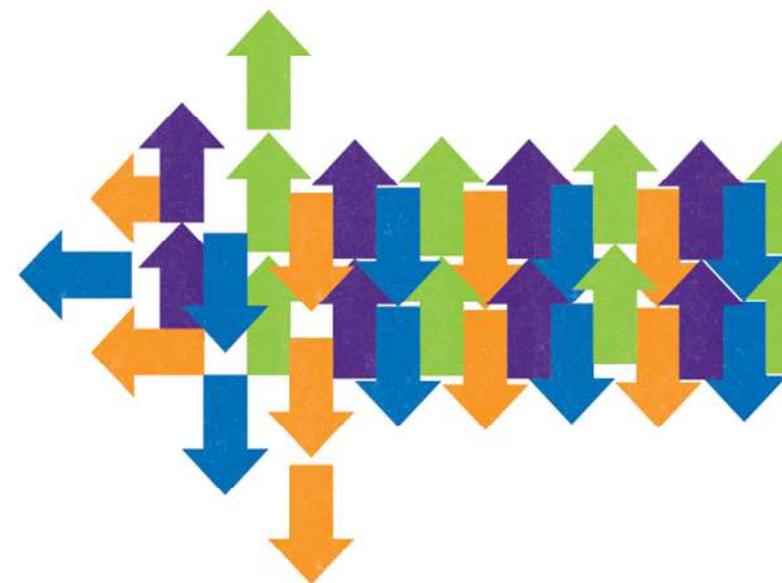
A copy of the report and a collection of short videos can be found on our website at:

<http://www.grantthornton.co.uk/en/insights/culture-of-place/>

Grant Thornton reports

### Challenge question:

Is the Council familiar with this publication?



# Advancing closure: the benefits to local authorities

With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. From 2017-18, authorities will need to publish their audited financial statements by 31 July, with Wales seeking to follow a similar approach over the next few years.

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

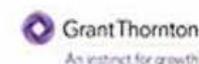
- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
- high quality financial statements as a result of improved quality assurance arrangements;
- greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;

- improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
- allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.

While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further detail, including:

- enabling sustainable change requires committed leadership underpinned by a culture for success
- efficient and effective systems and processes are essential
- auditors and other external parties need to be on board and kept informed throughout

Grant Thornton reports



Advancing closure  
Transforming the financial reporting of  
local authority accounts



<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>

# CFO Insights – driving performance improvement

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.



We are happy to organise a demonstration of the tool if you want to know more.



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