

# Business Efficiency Board Update

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**Year ended 31 March 2015**

November 2014

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# Introduction

This paper provides the Business Efficiency Board 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.

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

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths
- Responding to the challenge – Alternative Delivery Models in Local Government

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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# Progress at 17 November 2014

**Progress against plan**

**on track**

**Opinion and VfM conclusion**

**all planned to be met**

**Outputs delivered**

**Fee letter and Progress Reports delivered to plan**

Work	Planned date	Complete?	Comments
<p><b>2014-15 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 2014-15 financial statements.</p>	March 2015	Not yet started	We sent the 'Planned fee letter for 2014/15' to the Council on 24 April 2014 and presented it to the Board on 11 June 2014. This included notification of the scale fee of £139,322 set by the Audit Commission, the scope of the audit and an outline audit timetable.
<p><b>Interim accounts audit</b> Our interim fieldwork visit including:</p> <ul style="list-style-type: none"> <li>• updated review of the Council 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> <li>• proposed Value for Money conclusion.</li> </ul>	December 2014 to arch 2015	Just starting	We will build on our knowledge of the Council following the audit last year. We are currently planning our interim work and have arranged some preliminary discussions with key officers.
<p><b>2014-15 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2014-15 financial statements and Whole of Government Accounts (WGA)</li> <li>• proposed opinion on the Council's accounts and WGA</li> <li>• proposed Value for Money conclusion.</li> </ul>	June to September 2015	Not yet started	

# Progress at 17 November 2014

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2014/15 VfM conclusion comprises the two criteria specified by the Audit Commission:</p> <ul style="list-style-type: none"> <li>The organisation has proper arrangements in place for securing financial resilience. The focus will be on whether the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</li> <li>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The focus will be on how the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</li> </ul>	January to September 2015	Just starting	<p>The detailed guidance from the Audit Commission has now been published on its website for the benefit of auditors and audited bodies. This includes the key areas for consideration that will be reviewed under both the criteria.</p> <p>We are starting to carry out an initial risk assessment to determine our approach and report this in our audit plan</p>
<p><b>Other areas of work – certification work under the Audit Commission Regime</b></p> <ul style="list-style-type: none"> <li>Housing Benefit (HB) 2013/14</li> <li>Two transport (TRA) 2013/14 - Mersey Gateway and Silver Jubilee Bridge</li> <li>Grant Certification 2014/15 – Housing Benefit; transport claims</li> </ul>	<p>HB 28 November 2014</p> <p>TRA 31 December 2014</p>	<p>2013/14 In progress</p> <p>2014/15 not yet started</p>	<ul style="list-style-type: none"> <li>The Housing Benefit and Mersey Gateway claims are in progress.</li> <li>The Silver Jubilee Bridge transport claim has been certified with no amendment or qualification letter.</li> </ul>
<p><b>Other activity undertaken – claims and returns</b></p> <p>You asked us to provide a report on a number of claims that do not fall under the Audit Commission regime:</p> <ul style="list-style-type: none"> <li>independent report on Teachers' Pensions return (PEN)</li> <li>independent report on Regional Growth Fund claim (RGF)</li> </ul>	<p>PEN 28 November 2014.</p> <p>RGF February 2015</p>	Ongoing	
<p><b>Other activity undertaken - tax</b></p> <p>Other service lines within Grant Thornton UK LLP have undertaken VAT advice and Employee Solutions work for the Council.</p>	VAT & tax ongoing.	Ongoing	

# Fundamental changes to local government are inevitable

## Grant Thornton

### 2020 Vision

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.

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 or Engagement Manager.



# Delivering improvements through integrated health and social care

## Grant Thornton

### **Pulling together the Better Care Fund (BCF) Delivering improvements through integrated health and social care**

The Better Care Fund is now moving into a new phase with revised guidance. In June 2014, we asked the question, do local authorities and clinical commissioning groups (CCGs) have effective arrangements in place to develop joint BCF plans for agreement by the health and wellbeing boards and how ready are they for the pooled fund in April 2015? Our national report 'Pulling together the Better Care Fund' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Pulling-together-the-Better-Care-Fund/>

Our report, 'Pulling together the Better Care Fund', delivers a snapshot of progress as at 30 June 2014 and provides:

- an understanding of how your approach compares to others across the country
- assistance in identifying the key issues to delivering Better Care Fund plans effectively
- insight into current best practice
- practical areas for consideration for improving arrangements in the future.

We found that the majority of BCF plans lack:

- clear operational detail with realistic and deliverable targets which will deliver the high-level strategic visions
- detailed CCG and NHS provider scenario and financial planning
- the full engagement of many NHS providers
- Confidence from all partners that there is sufficient time to make these changes and that the intended outcomes will commence by April 2015.

The report includes a checklist of issues for consideration by:

- health and well being boards
- local authorities
- clinical commissioning groups and
- NHS trusts and foundation trusts.





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# CIPFA LAAP updates

## Accounting and audit issues

CIPFA has issued the following LAAP Bulletins:

- [LAAP bulletin 99](#) Local Authority Reserves and Balances – provides guidance on the establishment and maintenance of local authority reserves and balances.
- [LAAP bulletin 100](#) Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17 – provides an outline project plan to help authorities looking to develop their own project plans for the implementation of the 2016/17 Code requirements for accounting for infrastructure assets.

# Fewer cases of fraud in 2013/14 but value is up by 6%

## Local government guidance

### Protecting the Public Purse

On 23 October 2014 the Audit Commission released its national report, *Protecting the Public Purse 2014, Fighting Fraud against Local Government*.

'Protecting the Public Purse', the final one being issued before the Commission closes at the end of March 2015, looks at the landscape of fraud against councils and how this has changed since 1990, when the Audit Commission first turned the spotlight on to local government fraud with its 'Protecting the Public Purse' reports. The report highlights that:

- In total, local government bodies detected fewer cases of fraud in 2013/14 compared with the previous year, continuing the decline noted in *PPP 2013*. However, their value increased by 6 per cent.
- In the past 5 years, councils have shifted their focus from benefit fraud to non-benefit fraud. From 2016, they will no longer deal with benefit fraud.
- Councils will need to focus on the non-benefit frauds that present the highest risk of losses, including those that arise from the unintended consequences of national policies.
- Overall, councils are detecting more non-benefit frauds, but detection rates for some types of frauds have fallen.
- Councils are detecting more housing tenancy fraud and more fraud in schools.

The report includes a number of recommendations for all Local Government bodies and a self assessment checklist to review the counter fraud arrangements in place.

# The future for audit fees and the Audit Commission

## Audit Commission

### The future for external audit fees

The Audit Commission is reducing audit fees for local public bodies by £30 million from 2015 to 2017. This is currently included in its final consultation on work programme and scales of audit fees for the 2015/16 financial year. The fees will reduce by 25 per cent, following the Commission's successful retendering in March 2014 of the work done under its older contracts. The latest reduction is in addition to the 40 per cent drop in fees made by the Commission in 2012.

If the government chooses to extend both the 2012 and 2014 contracts to 2020, to lock in these low fees, the saving to audited bodies from 2012 would be £440 million.

### Audit Commission responsibilities post March 2015

From 1 April 2015 a transitional body, Public Sector Audit Appointments Limited (PSAA), an independent company set up by the Local Government Association, will oversee the Commission's audit contracts until they end in 2017 (or 2020 if extended by the Department for Communities and Local Government). PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for housing benefit subsidy certification and for publishing the Commission's Value for Money Profiles tool will also transfer to the PSAA.

Responsibilities for publishing the statutory Code of Audit Practice, guidance for auditors and local value for money studies will transfer to the National Audit Office. Responsibility for the National Fraud Initiative and for the Commission's counter-fraud function will transfer to, respectively, the Cabinet Office and the Chartered Institute of Public Finance and Accountancy.



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