

# Audit Progress Report and Sector Update – March 2018

## Rossendale Borough Council

Year ending 31 March 2018

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)
- Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk).

We are pleased to inform you that Robin Baker is the new Engagement Lead responsible for the delivery of your audit.

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.

<b>2014/15 work</b>	<b>Completed</b>	<b>Comments</b>
<p data-bbox="108 367 544 439"><b>2014/15 Accounts audit and Value for Money Conclusion</b></p> <p data-bbox="108 479 507 730">We have not yet issued an opinion on the 2014/15 accounts due to the issues arising in respect of the Council's Empty Homes Programme and associated HCA grant.</p>	<p data-bbox="582 367 753 398"><i>In progress</i></p>	<p data-bbox="769 376 1390 595">Much of the work on the Council's 2014-15 accounts is complete. However, we have yet to finalise our work in respect of the transactions relating to the Council's Empty Homes Programme and associated HCA grant.</p> <p data-bbox="769 609 1385 860">We have had a number of discussions with the HCA since February 2017. We have held recent meetings with senior officers, and understand that the Council is now finalising its work with the HCA in order to obtain confirmation of the final agreed funding for this scheme.</p> <p data-bbox="769 873 1401 1016">Once the position and the level of work required becomes clear, we will also confirm to the Council &amp; Committee any fee-related issues.</p>
<b>2015/16 work</b>	<b>Completed</b>	<b>Comments</b>
<p data-bbox="108 1263 544 1335"><b>2015/16 Accounts audit and Value for Money Conclusion</b></p> <p data-bbox="108 1375 507 1626">We have not yet issued an opinion on the 2015/16 accounts due to the issues arising in respect of the Council's Empty Homes Programme and associated HCA grant.</p>	<p data-bbox="582 1263 753 1294"><i>In progress</i></p>	<p data-bbox="769 1272 1390 1491">Much of the work on the Council's 2015-16 accounts is complete. However, we have yet to finalise our work in respect of the transactions relating to the Council's Empty Homes Programme and associated HCA grant.</p> <p data-bbox="769 1550 1385 1800">We have had a number of discussions with the HCA since February 2017. We have held recent meetings with senior officers, and understand that the Council is now finalising its work with the HCA in order to obtain confirmation of the final agreed funding for this scheme.</p>

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

<p><b>Housing benefit Subsidy Certification</b> We are required to review and certify the claim by 30 November 2017.</p>	<p><i>Complete</i></p>	<p>We have certified the claim in line with national deadlines. Certification letter is separately enclosed at Appendix A, which has been previously communicated to &amp; shared with officers.</p>
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<b>2017/18 work</b>	<b>Completed</b>	<b>Comments</b>
<p><b>Fee Letter</b> We issued the 'Planned fee letter for 2017/18 in April 2017.</p>	<p>April 2017</p>	<p>We issued the fee letter for 2017/18 in April 2016, with no change to the fee proposed. This was reported to the Accounts and Audit Committee in June 2017.</p>
<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 2017/18 financial statements.</p>	<p><i>In progress</i></p>	<p>We will prioritise completion of the 2014/15, 2015/16, and 2016/17 accounts before completing our audit plan for 2017/18.</p>

# Technical Matters, Sector Issues, and Grant Thornton publications

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

The following pages provide a summary of reports which may be of interest to members of this committee.

# Public Sector Audit Appointments: Report on the results of auditors' work 2016/17

**This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.**

The timeliness and quality of financial reporting for 2016/17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. Compared with 2015/16, the number of principal bodies that received an unqualified audit opinion by 31 July showed an encouraging increase. 83 principal bodies (17 per cent) received an unqualified opinion on their accounts by the end of July compared with 49 (10 per cent) for 2015/16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017/18 accounts.

Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015/16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new reporting timetable from 2017/18. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.

The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015/16. The most common reasons for auditors issuing non-standard conclusions on the 2016/17 accounts were:

- the impact of issues identified in the reports of statutory inspectorates
- corporate governance issues
- financial sustainability.

The latest results of auditors' work on the financial year to 31 March 2017 show a solid position for the majority of principal local government bodies. Generally, high standards of financial reporting are being maintained despite the financial and service delivery challenges currently facing local government.

**PSAA website link**

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

# Overview of the General Data Protection Regulation (GDPR)

## What is it?

The GDPR is the most significant development in data protection for 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

## What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

## How will this affect you?

- All organisations that process personal data will be affected by the GDPR.
- The definition of 'personal data' has been clarified to include any data that can identify a living individual, either directly or indirectly. Various unique personal identifiers (including online cookies and IP addresses) will fall within the scope of personal data

## What organisations need to do by May 2018?

- Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- New policies and procedures need to be fully signed off and operational.

## Organisation Accountability

Organisations must document their assurance procedures, and make them available to regulators

Some organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

## Notifications and Rights

Organisations must notify significant data breaches to regulators within 72 hours

Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

## Claims and Fines

For the most serious data breaches, privacy regulators can impose penalties of up to €20 million on public sector organisations,

Individuals and representative organisations can claim compensation for infringements of data protection law

## Questions for your organisation:

- Can your organisation erase personal data effectively?
- Have you appointed a Data Protection Officer if required to have one?
- How will your organisation ensure citizens know how their data is being used and whether it's being shared with other organisations?

# Manifesto for a Vibrant Economy

## Finding a better way to measure the vibrancy of places

When applied to a place we feel that traditional indicators of prosperity such as GVA, do not tell the full story. To address this we have developed a [Vibrant Economy Index](#) to measure the current and future vibrancy of places. The Index uses the geography of local authority areas and identifies six broad objectives for society: prosperity, dynamism and opportunity, inclusion and equality, health wellbeing and happiness, resilience and sustainability, and community trust and belonging.

Every place has its own challenges and opportunities. Understanding what these are, and the dynamic between them, will help unlock everybody's ability to thrive. Over the coming months we will continue to develop the Vibrant Economy Index through discussions with businesses, citizens and government at a national and local level.

In response to requests at the previous Audit Committee, you can find the details around how Rossendale fits into this picture and how that compares with other local authority areas.

[http://www.vibranteconomyindex.grantthornton.co.uk/vibrant-economy?\\_ga=2.248676100.203372487.1515496840-1108064967.1489578212&region=rossendale](http://www.vibranteconomyindex.grantthornton.co.uk/vibrant-economy?_ga=2.248676100.203372487.1515496840-1108064967.1489578212&region=rossendale)

Overall Rossendale is ranked at 296 out of 324 authority areas assessed. Although the indicators that the review considers identified there are some challenges for the authority area, there are also some really positive and notable indicators.

### Health, Wellbeing, and Happiness

This area of the Index assesses the extent to which people are healthy and active, leading fulfilling lives which provides individual prospects.

### Resilience and Sustainability

The local economy has a neutral impact on the natural environment and our built environments are resilient places we want to live in.

### Inclusion and Equality

This area of the index considers the level to which everyone in the borough benefits from economic growth, whether the gap between richest and poorest narrows, regional disparities reduce, and there are opportunities for all.

### Summary

While the current index does present a challenging picture in relation to the indicators around prosperity, and the resilience & sustainability of the local economy, it is clear that the authority are aware of the issues and looking at ways of increasing the economic prosperity and activity within the Borough.

The Vibrant Economy Index is about to be refreshed for 2018, and will include time-series data which will allow each area to understand the changes over time. We will keep you informed of progress with this refresh, and provide an update on the assessment for Rossendale in due course.

# Local Government Reorganisation

## Local Government Reorganisation

At the last Audit Committee we were asked about recent, and ongoing, local government reorganisations. Although there is currently no prescribed model or a signalled intention to reorganise authority areas or arrangements from the Department of Housing, Communities, and Local Government (DHCLG), it is apparent that the Department and associated ministers are open to proposals in this area.

Grant Thornton is working with the District Councils' Network to finalise a Transformation in Localities Toolkit for all 200 district councils who are members of the Local Government Association. This builds on our successful work with a number of district partnerships and Counties as they consider options for reform and reorganisation, including district mergers and unitary models.

The Toolkit aims to help district councils achieve their ambitions for place-shaping and transformation through working in partnership with other organisations; will cover mergers and reorganisation, but also many other forms of collaboration with the public, private and voluntary sectors; and will also share practical guidance and insights drawn from leading partnerships around the country, as well as looking at a wide range of other sources of evidence.

We will keep the Council up to date of further developments in this area and the release of the above toolkits.

# Links to Reports and Publications of Interest

## Grant Thornton website links

General <https://www.grantthornton.co.uk/>

Public Sector <http://www.grantthornton.co.uk/industries/publicsector>

## MHCLG website links

The Ministry of Housing Communities and Local Government has updated the Local Authority Investments Guidance and the Minimum Revenue Provision following its publication of consultation responses on 2 February 2018.

Following consideration of the responses the Government has:

- made some technical changes to the Investments Guidance and MRP Guidance
- amended proposals relating to useful economic lives of assets
- implemented the Investments Guidance for 2018-19, but allowed flexibility on when the additional disclosure first need to be presented to full Council
- deferred implementation of MRP Guidance to 2019-20 apart from the guidance “Changing methods for calculating MRP”, which applies from 1 April 2018.

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-local-government-investments-second-edition>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition>

## CIPFA website link

CIPFA have published an updated ‘Prudential Code for Capital Finance in Local Authorities’. Key developments include the introduction of more contextual reporting through the requirement to produce a capital strategy along with streamlined indicators.

<http://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2017-edition-book>