

RIBBLE VALLEY BOROUGH COUNCIL

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Dear Councillor

The next meeting of the **ACCOUNTS & AUDIT COMMITTEE** is at **6.30pm on WEDNESDAY, 12 FEBRUARY 2020** 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 27 November 2019 – copy enclosed.
3. Declarations of Pecuniary and Non-Pecuniary Interests (if any).
4. Public Participation (if any).

DECISION ITEMS

- ✓ 5. Closure of Accounts Timetable 2019/20 – report of Director of Resources – copy enclosed.
- ✓ 6. Internal Audit Annual Plan 2020/21 – report of Director of Resources – copy enclosed.

INFORMATION ITEMS

- ✓ 7. Audit Progress Report and Sector Update – report of Grant Thornton – copy enclosed.
- ✓ 8. Internal Audit Progress Report 2019/20 – report of Director of Resources – copy enclosed.
- ✓ 9. Review of Local Authority Financial Reporting and External Audit - Call for Views – report of Director of Resources – copy enclosed.

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

None.

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 5

meeting date: 12 FEBRUARY 2020
title: CLOSURE OF ACCOUNTS TIMETABLE 2019/20
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

- 1.1 To remind members of the statutory requirement to closedown our accounts by 31 May 2020 and publish them including any certificate, opinion or report issued by the auditor, by 31 July 2020.
- 1.2 To inform members of the benefits of closing down early, in particular the good governance aspects.
- 1.3 To consider the detailed timetable to be adhered to if we are to achieve the required deadlines.

2 BACKGROUND

- 2.1 The Accounts and Audit Regulations 2015 set out detailed requirements in relation to duties and rights, and also brought in changes to the key deadlines for approval of the statement of accounts and completion of the audit.
- 2.2 The Regulations have important implications for local authorities in terms of planning to ensure critical tasks are met and the approval of accounts carried out by set deadlines.

3 THE ACCOUNTS AND AUDIT REGULATIONS 2015

- 3.1 The principal matters covered by the regulations relevant to accounts preparation are:
 - the responsible financial officer must ensure that the accounting records kept by the authority are sufficient to enable the preparation of the statement of accounts
 - the statement of accounts is required to be prepared in accordance with the Regulations and proper practices in relation to accounts.
 - the responsible financial officer is required to certify that the accounts give a “true and fair view” of the financial position
 - at the point of certifying the accounts the authority must commence a 30 working day period for the exercise of public rights.
 - advertisement of the 30 working day period for the exercise of public rights must be published on the council’s website including a copy of the unaudited statement of accounts together with a declaration of the responsible financial officer as to the status of the accounts as unaudited and that they may be subject to change.
 - conduct a review of the effectiveness of the system of internal control, which will feed into the preparation of the annual governance statement
 - the authority is to allow access to the accounts and specified supporting documents during the period for the exercise of public rights

- following the conclusion of the period for the exercise of public rights, consider either by way of a committee or by the members meeting as a whole, the statement of accounts and approve the statement of accounts by a resolution of that committee or meeting.
- publication of the audited accounts is to be achieved by 31 July.
- as soon as reasonably practicable after conclusion of the audit publish a statement that the audit has been concluded and that the statement of accounts has been published, and the rights of inspection of the same.

The Regulations stipulate various responsibilities for the closure of accounts;

Members

- Consider the findings of the annual review of the effectiveness of the system of internal control and approve the annual governance statement
- following the conclusion of the period for the exercise of public rights and following the audit, consider the statement of accounts and approve the same and ensure that the statement of accounts is signed and dated by the person presiding at the committee at which that approval is given
- Where, following completion of an audit, the council receives any audit letter, committee must meet to consider its contents as soon as reasonably practicable.

Responsible Financial Officer

- Determining on behalf of the authority, and ensuring they are observed and kept up to date -
 - The form of its accounting records and supporting records; and
 - Its financial control systems
- Accounting records must, in particular, contain -
 - entries from day to day of all sums of money received and expended by the authority and the matters to which its income and expenditure or receipts and payments relate; and
 - a record of the assets and liabilities of the authority.
- The financial control systems must include
 - measures to ensure that the financial transactions of the authority are recorded as soon as, and as accurately as, reasonably practicable;
 - measures to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records; and
 - measures to ensure that risk is appropriately managed;
 - identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.

- On behalf of the authority
 - sign and date the statement of accounts, and confirm that they are satisfied that it presents a true and fair view of the financial position of the authority at the end of the financial year to which it relates, and of the authority's income and expenditure for that financial year;
 - ensures that commencement of the period for the exercise of public rights takes place
- As soon as reasonably practicable after conclusion of an audit, publish on the website
 - a statement that the audit has been concluded and that the statement of accounts has been published
 - a statement of the rights of inspection conferred on local government electors and the address and hours during which, those rights may be exercised

4 GOVERNANCE ISSUES

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

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

4.2 It is important that members are aware of the comfort gained from having the statement of accounts published and also that this comfort should be provided at the earliest opportunity.

5 OTHER ISSUES

Budget Implications

5.1 It is imperative that the accounts for the current year are closed as soon as reasonably practicable in order to inform the budget setting process for future years. This allows us to be in a position to consider the council's reserves and balances and areas of over/under spending with greater certainty.

Practical Issues

5.2 The closedown timetable shows that we are planning to present the audited statement of accounts at the proposed meeting of this committee on Wednesday 29 July 2020 for approval **(subject to approval of the proposed committee meeting timetable for 2020/21)**.

5.3 **It is important that all members endeavour to attend this meeting in order to ensure that the meeting is quorate.**

Timetable

- 5.4 Based on our past experience, the availability of our external auditors and the statutory deadlines, we have determined a timetable for the closure of our accounts as attached at Annex 1. We firmly believe it is important that all staff are aware of the importance of achieving these deadlines and understand the vital roles they also play. As you will see from the timetable, a number of tasks have already begun or been completed.
- 5.5 You will see this timetable is considerably detailed and clearly indicates who is responsible for which actions. We have used our experience from last year's closure to inform this year's deadlines. Again we intend to monitor when we actually achieve each individual task in order to inform future timetables.
- 6 RECOMMENDED THAT COMMITTEE
- 6.1 Endorse the suggested approach for the closure of the 2019/20 accounts.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA1-20/LO/AC
31 January 2020

For further information please ask for Lawson Oddie.

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
1	Mon	13-Jan-20	Arrange for full 5-yearly asset revaluations.	Head of Financial Services	Senior Accountant <i>(Policy and Finance Committee and Planning Committee)</i>		
2	Wed	15-Jan-20	Distribution of Officer and Member Interests forms with pay slips	Admin Officer/Mayor's Secretary HR Officer Systems and Payments Manager			
3	Wed	29-Jan-20	Deadline for return of Officer and Member Interests Form	Senior Accountant <i>(Health and Housing Committee)</i>	HR Officer Admin Officer/Mayor's Secretary		
4	Fri	07-Feb-20	Your Pensions Service – Request for pensions data check	Head of Financial Services	Systems and Payments Manager		
5	Mon	10-Feb-20	Send email to Heads of Service asking them to review the balance sheet Plant and Equipment items	Senior Accountant <i>(Policy and Finance Committee and Planning Committee)</i>	All Heads of Service		
6	Fri	14-Feb-20	Deadline date for confirmation of pensions data to Your Pensions Service	Head of Financial Services	Systems and Payments Manager		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
7	Fri	21-Feb-20	Deadline for responses from Heads of Service following their review of balance sheet Plant and Equipment items	Senior Accountant <i>(Policy and Finance Committee and Planning Committee)</i>	All Heads of Service		
8	Mon	2-Mar-20 and on-going	Detailed review of “open” purchase orders , i.e. cancel/match up to invoice/keep under review to accrue, Ensure GRNs up to date	Procurement Assistant	All Senior Accountants		
9	Mon	9-Mar-20	Receipt of full revaluations data.	Head of Financial Services	Senior Accountant <i>(Policy and Finance Committee and Planning Committee)</i>		
10	Mon	09-Mar-20	Inform PAs of the deadline for receipt of holiday and lieu time records into the accounts section, in order to ensure records are up to date.	Senior Accountant <i>(Health and Housing Committee)</i>	All PAs Community Leisure and Sports Development Manager Store Person/Admin Officer Admin Officer/Mayor’s Secretary		
11	Fri	13-Mar-20	Update Intranet pages relating to the Closure of the Accounts.	Senior Accountant <i>(Health and Housing Committee)</i>	Accounting Technician <i>(Policy and Finance Committee and Planning Committee)</i>		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
12	Fri	13-Mar-20	Circulation of closure email and estimated creditor/debtor sheets	Senior Accountant <i>(Health and Housing Committee)</i>			
13	Fri	13-Mar-20	All staff responsible for entering year end invoices onto Financials to have been contacted and any training required arranged.	Systems and Payments Manager	Payments Assistant		
14	Fri	13-Mar-20	Latest date for depreciation transactions to be entered on Civica Financials	Senior Accountant <i>(Policy and Finance Committee and Planning Committee)</i>			
15	Mon - Fri	16-Mar-20 to 20-Mar-20	Grant Thornton on site for Interim Audit Work	Head of Financial Services			
16	Mon	16-Mar-20	Send Request for all utilities meter readings to be taken as at 31 March 2020	Senior Accountant <i>(Policy and Finance Committee and Planning Committee)</i>	Accounting Technician <i>(Policy and Finance Committee and Planning Committee)</i> Head of Engineering Services Principal Surveyor		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
17	Mon-Tues	16-Mar-20 to 31-Mar-20	Continually ensure that all suspense accounts are cleared to nil	All Senior Accountants Systems and Payments Manager	Trainee Accounting Technician		
18	Mon - Fri	16-Mar-20 to 27-Mar-20	Continually review credit balances on Debtors prior to final run of Creditor Payments	Systems and Payments Manager	Payments Assistant		
19	Mon - Fri	16-Mar-20 to 27-Mar-20	Continually review disputed creditor invoices and debit balances prior to final run of Creditor Payments	Systems and Payments Manager	Payments Assistant		
20	Fri	20-Mar-20	Request information from Onward Homes for VAT shelter arrangement	Senior Accountant <i>(Health and Housing Committee)</i>			
21	Mon	23-Mar-20	Send out year-end stocktake sheets	All Senior Accountants			
22	Fri	27-Mar-20	Last payment run BACS/cheque dated 31 March 2020. Payment run to include ALL outstanding creditor payments (excluding disputed payments)	Systems and Payments Manager	CRM and Web Development Officer		
23	Fri	27-Mar-20	After last payment run, send email to all staff asking them not to enter any more creditor invoices until notified	Systems and Payments Manager			

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
24	Fri	27-Mar-20	Complete interim review and reconciliation of all capital income and expenditure.	Senior Accountant <i>(Health and Housing Committee)</i>			
25	Tues PM	31-Mar-20	Send email to all staff asking them not to use the purchasing, creditors or debtors modules of the Financials system until notified.	Systems and Payments Manager			
26	Tues	31-Mar-20	<p><u>ALL stock takes</u> to be carried out:</p> <ul style="list-style-type: none"> • General Stores (Depot) • Paper • Canteen Stock • Civic Regalia 	Senior Accountant <i>(Policy and Finance Committee and Planning Committee)</i>	<p>Accounting Technician <i>(Policy and Finance Committee and Planning Committee)</i></p> <p>Store Person/Admin Officer</p> <p>Printing and Stationery Officer</p> <p>Admin Officer/Mayor's Secretary</p> <p>PA to Director of Community Services</p>		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
27	Tues	31-Mar-20	<p><u>ALL stock takes</u> to be carried out:</p> <ul style="list-style-type: none"> • Pool • Gallery/TIC 	Senior Accountant <i>(Community Services Committee and Economic Development Committee)</i>	Community Leisure and Sports Development Manager		
28	Tues	31-Mar-20	<p><u>ALL stock takes</u> to be carried out:</p> <ul style="list-style-type: none"> ❖ Pest Control 	Senior Accountant <i>(Health and Housing Committee)</i>	Pest Control Officer		
29	Tues	31-Mar-20	All relevant staff to have been contacted to notify them that all Goods Received Notes must be entered on to the Purchasing system where goods or services have been received by the end of the day on 31 March 2020	Procurement Assistant	<p>Trainee Accounting Technician</p> <p>All staff responsible for purchasing</p>		
30	Tues	31-Mar-20	Ensure All Creditor batches are closed and authorised and that Debtor invoices have all been authorised	Systems and Payments Manager	Payments Assistant		
31	Tues	31-Mar-20	Ensure Creditor and Debtor Reconciliation reports balance.	Systems and Payments Manager	Payments Assistant		
32	Tues	31-Mar-20	Ensure All Purchase Order requisitions are approved and authorised	Procurement Assistant	All staff responsible for purchasing		
33	Tues	31-Mar-20	Enter final emergency schedule for the year on to Creditors	Systems and Payments Manager	Clerical Assistant <i>(Payments Team)</i>		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
34	Tues	31-Mar-20	All sundry debtor write off/write on adjustments to be completed	Systems and Payments Manager			
35	Tues	31-Mar-20	Ensure Creditors/Debtors balance reports & Aged Debtors reports are set to run at overnight	Systems and Payments Manager			
36	Tues	31-Mar-20	<p>All income to be paid in to cash office (cards, cheques & cash) – See later instruction for any further income received on the 31 March after this paying-in:</p> <ul style="list-style-type: none"> ❖ Level D reception/Planning ❖ Pool ❖ TIC/Gallery ❖ Car Parks ❖ Joiner's Arms ❖ Exercise Referral ❖ Market 	Accounting Technician (Community Services Committee and Economic Development Committee)	Planning Admin Assistant Community Leisure and Sports Development Manager Gallery and Information Centre Supervisor Parking Administration Assistant Joiners Arms Scheme Warden Health and Fitness Development Officer Market Officer		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
37	Tues PM	31-Mar-20	Absolute deadline for return of Officer and Member Interests Forms	Senior Accountant <i>(Health and Housing Committee)</i>	HR Officer Admin Officer/Mayor's Secretary		
38	Tues	31-Mar-20	All suspense accounts cleared down to nil where possible	All Senior Accountants	Trainee Accounting Technician		
39	Tues	31-Mar-20	Full skeleton accounts prepared together with all restatements where applicable	Head of Financial Services			
40	Wed	01-Apr-20 (AM)	Send REMINDER email to all staff asking them not to use the purchasing, creditors or debtors modules of the Financials system until notified.	Systems and Payments Manager			
41	Wed	01-Apr-20 (AM)	Change settings on creditor and debtor transaction codes: crinv, crvat, crcrn, crcr, crcvt, dbinv, dbvat, dbcrn, dbcv	Head of Financial Services			
42	Wed	01-Apr-20 (AM)	Change default year and budget settings – including funds checking budget for purchasing.	Head of Financial Services			

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
43	Wed	01-Apr-20	All staff responsible for petty cash books/floats/receipts to have brought them to the Accounts Section.	Accounting Technician <i>(Community Services Committee and Economic Development Committee)</i>	PA to Chief Executive Senior Planning Admin Officer PA to Director of Community Services Store Person/Admin Officer Arts Development Officer Community Leisure and Sports Development Manager		
44	Wed	01-Apr-20	Last date for the receipt of office staff capital timesheets for charging to capital schemes	Accounting Technician <i>(Policy and Finance Committee and Planning Committee)</i>	All capital scheme lead officers		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
45	Wed	01-Apr-20	Last date for the receipt of Grounds Maintenance timesheets.	Accounting Technician <i>(Policy and Finance Committee and Planning Committee)</i>	Amenity Cleansing and Grounds Maintenance Manager		
46	Wed	01-Apr-20	Last date for the receipt of Works Administration and Vehicle Workshop timesheets.	Accounting Technician <i>(Community Services Committee and Economic Development Committee)</i>	Head of Engineering Services		
47	Wed	01-Apr-20	Roll Forward purchase order commitments to new financial year and provide reports to Senior Accountants	Senior Accountant <i>(Community Services Committee and Economic Development Committee)</i>	Procurement Assistant		
48	Wed	01-Apr-20	Finalise PWLB interest and average interest rate for investments	Senior Accountant <i>(Policy and Finance Committee and Planning Committee)</i>			

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
49	Wed	01-Apr-20	<p>All remaining income (received after the final paying-in previously made on 31 March) up to the close of 31 March to be paid in to cash office (cards, cheques & cash):</p> <ul style="list-style-type: none"> ❖ Level D reception/Planning ❖ Pool ❖ TIC/Gallery ❖ Car Parks ❖ Joiner's Arms ❖ Exercise Referral ❖ Market 	Accounting Technician <i>(Community Services Committee and Economic Development Committee)</i>	Planning Admin Assistant Community Leisure and Sports Development Manager Gallery and Information Centre Supervisor Parking Administration Assistant Joiners Arms Scheme Warden Health and Fitness Development Officer Market Officer		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
50	Wed	01-Apr-20	Income analysis sheets for Pool, TIC/Gallery to be passed to Accounting Technician (<i>Community Services Committee and Economic Development Committee</i>) for period up to and including 31 March	Accounting Technician (<i>Community Services Committee and Economic Development Committee</i>)	Community Leisure and Sports Development Manager Gallery and Information Centre Supervisor		
51	Wed	01-Apr-20	Cash office to have processed any remaining balances on all bank statements up to 31 March	Accounting Technician (<i>Community Services Committee and Economic Development Committee</i>)	Senior Cashier		
52	Wed	01-Apr-20	Receipt of Council Tax and Business Rates prints	Head of Financial Services Accounting Technician (<i>Policy and Finance Committee and Planning Committee</i>)	Head of Revenues and Benefits		
53	Wed	01-Apr-20	Completed Statement 1's & 2's up to & incl. 31 March to be passed to Accounting Technician (<i>Community Services Committee and Economic Development Committee</i>) and thereafter on a daily basis	Accounting Technician (<i>Community Services Committee and Economic Development Committee</i>)	Senior Cashier		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
54	Wed	01-Apr-20	Last date for receipt of completed and authorised stock sheets : ❖ Stores ❖ Paper ❖ Canteen Stock ❖ Civic Regalia	Senior Accountant <i>(Policy and Finance Committee and Planning Committee)</i>	Accounting Technician <i>(Policy and Finance Committee and Planning Committee)</i> Store Person/Admin Officer Printing and Stationery Officer PA to Director of Community Services Admin Officer/Mayor's Secretary		
55	Wed	01-Apr-20	Last date for receipt of completed and authorised stock sheets : • Pool • Gallery/TIC	Senior Accountant <i>(Community Services Committee and Economic Development Committee)</i>	Community Leisure and Sports Development Manager		
56	Wed	01-Apr-20	Last date for receipt of completed and authorised stock sheets : • Pest Control	Senior Accountant <i>(Health and Housing Committee)</i>	Pest Control Officer		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
57	Wed	01-Apr-20	All sundry debtor control sheets for 2019/20 financial year to have been received in the Accounts Office	Systems and Payments Manager	All staff		
58	Wed	01-Apr-20	Last date for receipt of estimated debtor sheets	All Senior Accountants	All staff		
59	Wed	01-Apr-20	All stores receipts/issues notes to be received in accounts section	Accounting Technician <i>(Policy and Finance Committee and Planning Committee)</i>	Store Person/Admin Officer		
60	Fri	03-Apr-20	Last day for receipt of holiday and lieu time records from PAs	Senior Accountant <i>(Health and Housing Committee)</i>	PA to Director of Community Services PA to Chief Executive Community Leisure and Sports Development Manager Store Person/Admin Officer Admin Officer/Mayor's Secretary		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
61	Fri	03-Apr-20	Last day for entering old year creditor invoices on Financials	Systems and Payments Manager	All staff		
62	Mon	06-Apr-20	Bank reconciliation to have been completed and authorised	Accounting Technician <i>(Community Services Committee and Economic Development Committee)</i>			
63	Mon	06-Apr-20	Entry of year end cash journals	Accounting Technician <i>(Community Services Committee and Economic Development Committee)</i>			
64	Mon	06-Apr-20	Last date for processing of office staff capital, Works Admin and Grounds Maintenance Timesheets on to Financials	Accounting Technician <i>(Policy and Finance Committee and Planning Committee)</i> Accounting Technician <i>(Community Services Committee and Economic Development Committee)</i>	Trainee Accounting Technician		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
65	Mon	06-Apr-20	Completion of non-financial elements of Narrative Report	Head of Financial Services	Systems and Payments Manager Head of HR Principal Policy and Performance Officer Trainee Accounting Technician		
66	Mon	06-Apr-20	Completion of ALL system reconciliations: <ul style="list-style-type: none"> • Council Tax • NNDR • Car Parking • Planning • Building Control • Housing Rents • Licensing • Land Charges • Housing Benefits 	Senior Accountant (Policy and Finance Committee and Planning Committee) Senior Accountant (Health and Housing Committee) Accounting Technician (Policy and Finance Committee and Planning Committee)	Trainee Accounting Technician		
67	Mon	06-Apr-20	Last day for receipt of estimated creditor sheets	Senior Accountant (Health and Housing Committee)	All staff		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
68	Mon	06-Apr-20	Capital accounts finished and journals entered	Head of Financial Services	Senior Accountant <i>(Health and Housing Committee)</i>		
69	Mon	06-Apr-20	Decision taken on assets to be added/written off	Head of Financial Services			
70	Mon	06-Apr-20	General Stores to be finalised	Accounting Technician <i>(Policy and Finance Committee and Planning Committee)</i>	Store Person/Admin Officer		
71	Thurs	09-Apr-20	Capital Financial data updated in Narrative Report	Head of Financial Services			
72	Thurs	09-Apr-20	Compensated absences analysis and ledger entries completed	Senior Accountant <i>(Health and Housing Committee)</i>	Trainee Accounting Technician		
	Fri	10-Apr-20	Good Friday				
	Mon	13-Apr-20	Easter Monday				
73	Tues	14-Apr-20	Receipt of IAS19 information from Lancashire County Council	Head of Financial Services			

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
74	Tues	14-Apr-20	Complete draft Housing Benefit subsidy claim and working papers	Benefits Manager			
75	Tues	14-Apr-20	Interest allocated	Senior Accountant <i>(Policy and Finance Committee and Planning Committee)</i>			
76	Fri	17-Apr-20	Asset revaluations as provided by the Valuation Office entered on to Technology Forge and journaled on to Financials	Senior Accountant <i>(Policy and Finance Committee and Planning Committee)</i>			
77	Mon	20-Apr-20	Complete and submit Housing Benefit subsidy claim and working papers	Senior Accountant <i>(Health and Housing Committee)</i>			
78	Mon	20-Apr-20	Closedown collection fund for Council Tax and inform LCC, Fire and Police	Head of Financial Services			

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
79	Wed	22-Apr-20	<p>Central establishment and other recharges to have been completed by:</p> <ul style="list-style-type: none"> • Council Offices • Civic Suite • IT Services • Resources • Chief Executives • Economic Development 	<p>Senior Accountant <i>(Policy and Finance Committee and Planning Committee)</i></p> <p>(see separate timetable)</p>			
80	Wed	22-Apr-20	<p>Central establishment and other recharges to have been completed by:</p> <ul style="list-style-type: none"> • Depot • Community Services • Grounds Maintenance • Vehicles and Plant • Balances on WKSAD and VEHCL • Refuse Collection 	<p>Senior Accountant <i>(Community Services Committee and Economic Development Committee)</i></p> <p>(see separate timetable)</p>			
81	Wed	22-Apr-20	<p>Central establishment and other recharges to have been completed by:</p> <ul style="list-style-type: none"> • Use of Market Buildings 	<p>Senior Accountant <i>(Health and Housing Committee)</i></p> <p>(see separate timetable)</p>			

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
82	Wed	22-Apr-20	IAS19 adjustment journals (as required) to be entered by	Head of Financial Services			
83	Wed	22-Apr-20	Update Narrative Report with Pensions data	Head of Financial Services			
84	Wed	22-Apr-20	<p>Data produced for checking and review in respect of Data Transparency requirements</p> <ul style="list-style-type: none"> Senior Officers Salaries/remuneration • Members' Allowances • Expenditure >£250 • Grants to Voluntary Organisations • Procurement ITT and Contracts/Payments > £5k • Car Parking Account 	Senior Accountant (Health and Housing Committee)	<p>Systems and Payments Manager</p> <p>Accounting Technician (Policy and Finance Committee and Planning Committee)</p> <p>Procurement Assistant</p> <p>Senior Accountant (Community Services Committee and Economic Development Committee)</p>		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
85	Fri	24-Apr-20	Final Transparency Data checked and published on the website	Senior Accountant <i>(Health and Housing Committee)</i>	Systems and Payments Manager Procurement Assistant Accounting Technician <i>(Policy and Finance Committee and Planning Committee)</i>		
86	Fri	24-Apr-20	VAT Shelter figures to be received from Onward Homes	Senior Accountant <i>(Health and Housing Committee)</i>			
87	Fri	24-Apr-20	Closedown collection fund for Business Rates and inform LCC and Fire	Head of Financial Services			
88	Fri	24-Apr-20	Possible deadline for NNDR3	Head of Revenues and Benefits			
89	Mon	04-May-20	ALL Service committee accounts to be finished and general fund summary account complete	All Senior Accountants			
90	Mon	04-May-20	Final Income and Expenditure Cleardown Run	Head of Financial Services			

ANY FURTHER JOURNALS FOR 2019/20 FINANCIAL YEAR TO BE AGREED WITH HEAD OF FINANCIAL SERVICES BEFORE ENTERING

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
	<i>Thurs</i>	<i>07-May-20</i>	<i>Police and Crime Commissioner Elections</i>				
	<i>Fri</i>	<i>08-May-20</i>	<i>Early May Bank Holiday (75th Anniversary of VE Day)</i>				
91	Mon	11-May-20	Finalise Narrative Report with revenue financial data	Head of Financial Services			
92	Mon	18-May-20	Produce all key financial statements: Expenditure & Funding Analysis, CIES, MiRS, Balance Sheet, Cash Flow Statement	Head of Financial Services			
93	Wed	20-May-20	Report Annual Governance Statement and Findings of Review to CMT	Internal Auditor			
94	Fri	22-May-20	Annual Governance Statement to Leader and CE for signing	Internal Auditor			
95	Fri	22-May-20	Finalise all notes to the accounts	Head of Financial Services	All Senior Accountants		
	<i>Mon</i>	<i>25-May-20</i>	<i>Spring Bank Holiday</i>				
96	Tues	26-May-20	All working papers up to date and made available and checked for completeness on the shared area	Head of Financial Services	All Senior Accountants Trainee Accounting Technician		

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
97	Fri	29-May-20	Accounts final sign off by Director of Resources and published as subject to audit on website	Director of Resources	Head of Financial Services		
98	Fri	29-May-20	Accounts forwarded to Grant Thornton for commencement of audit	Head of Financial Services			
99	Fri	29-May-20	Advertise accounts available for inspection on website from Monday 1 June 2020	Head of Financial Services	Accounting Technician <i>(Policy and Finance Committee and Planning Committee)</i>		
100	Mon	01-Jun-20	Period of public inspection starts (30 consecutive working days from sign off by Director of resources)	Head of Financial Services			
101	Mon	01-Jun-20	Grant Thornton commence final accounts audit	Grant Thornton			
102	Tues	09-Jun-20	Review meeting with Grant Thornton	Head of Financial Services			
103	Fri	12-Jun-20	WGA Return to be completed (Unaudited)	Senior Accountant <i>(Health and Housing Committee)</i>			
104	Tues	16-Jun-20	Review meeting with Grant Thornton	Head of Financial Services			

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
105	Fri	19-Jun-20	Revenue Outturn Forms to be completed	Senior Accountant <i>(Health and Housing Committee)</i>			
106	Tues	23-Jun-20	Review meeting with Grant Thornton	Head of Financial Services			
107	Fri	26-Jun-20	Capital Outturn Form to be completed	Senior Accountant <i>(Health and Housing Committee)</i>			
108	Tues	30-Jun-20	Review meeting with Grant Thornton	Head of Financial Services			
109	Mon	06-Jul-20	Clearance meeting with Grant Thornton	Director of Resources Head of Financial Services	Grant Thornton		
110	Tues	07-Jul-20	Complete Audit Findings Report adjustments and issue final Statement of Accounts to Grant Thornton	Head of Financial Services	Grant Thornton		
111	Mon	20-Jul-20	Distribution date for Accounts and Audit Committee and Director of Resources (CFO) sign accounts for true and fair view	Head of Financial Services			

Timetable for Closure of 2019/20 Accounts

No.		Completion Date	Task	Lead Officer	Other Key Staff	Date Actually Done	Comments
112	Wed	Potentially 29-Jul-20	Proposed Accounts and Audit Committee meeting date - to consider the Audit Findings Report and approve Audited Final Accounts	Director of Resources	Head of Financial Services		
113	Thurs	30-Jul-20	Receipt of Accounts opinion from Grant Thornton	Head of Financial Services	Grant Thornton		
114	Thurs	30-Jul-20	Audited Accounts to be published on website by	Head of Financial Services	Accounting Technician <i>(Policy and Finance Committee and Planning Committee)</i>		
115	Mon	03-Aug-20	Close the Financial Year on the Financials system and roll forward balances.	Head of Financial Services			
116	Fri	28-Aug-20	Whole of Government Accounts return (audited) to be completed	Senior Accountant <i>(Health and Housing Committee)</i>			

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

DECISION

Agenda Item No 6

meeting date: 12 FEBRUARY 2020
title: INTERNAL AUDIT ANNUAL PLAN 2020/21
submitted by: DIRECTOR OF RESOURCES
principal author: MICK AINSCOW

1 PURPOSE

1.1 To submit to committee the internal audit plan for 2020/21.

1.2 Relevance to the Council's ambitions and priorities:

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

2 BACKGROUND

2.1 All local authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and the Accounts and Audit Regulations 2015. The Public Sector Internal Audit Standards require the proper planning of all audit activity.

3 RISK SCORING

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

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

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

3.3 Using this risk based approach to scoring the Council's service areas, as shown at Annex 1, an operational audit plan is then produced which prioritises resource allocation based on those areas scored as higher risk. All high risk areas are covered annually with the medium risk areas covered at least twice over a three year period. The number of days allocated to each area is based on past experience and level of testing required. Low risk areas are aimed to be covered over the longer term where resources allow.

4 CONSULTING ON THE ANNUAL AUDIT PLAN

- 4.1 Directors and Heads of Service were also consulted, asking for any comments on proposals. They are also asked for information on any new and emerging risks that the audit team should be aware of, and for any information on service changes.
- 4.2 Importantly, there has also been consultation with our external auditors on our proposed audit plan. In undertaking their work, there are areas where the external auditors consider the work of the internal audit section.

5 INTERNAL AUDIT ANNUAL AUDIT PLAN 2020/21

- 5.1 Using the risk scoring exercise above, we are able to construct a better informed risk based audit plan for the coming year. The proposed audit plan for 2020/21 is attached at Annex 2.
- 5.2 Within the 2020/21 year all high risk category audit areas have been included in the audit plan. As there would be available resources after inclusion of the high risk areas, the majority of medium risk areas have also been included. Should resources allow as the year progresses, it may be possible to include the remaining medium risk areas and some of the low risk.
- 5.3 We will continue to allow a number of days in the audit plan for contingencies. This is to account for any work which may need to be carried out that is unplanned.

6 RECOMMENDED THAT COMMITTEE

- 6.1 Approve the 2020/21 internal audit plan.

PRINCIPAL AUDITOR

DIRECTOR OF RESOURCES

AA2-20/MA/AC
29 January 2020

Scoring for all Service Areas for Risk 2020/21

ANNEX 1

		RISK FACTOR				
Audit Area		Financial Impact	Primary Objectives	Audit Experience and Assurance	Time Since Last Audit	Total
Fundamental Systems	Main Accounting	3	3	1	2	9
	Creditors	3	3	1	1	8
	Sundry Debtors	3	3	1	1	8
	Payroll (including Member Allowances and IR35)	3	3	1	1	8
	Council Tax	3	3	1	1	8
	Housing Benefits/CT Support	3	3	1	1	8
	NNDR/Business Rates Pooling	3	3	1	2	9
	Cash Receipting	3	3	1	2	9
Non-fundamental Systems	VAT	3	3	1	1	8
	Stores	2	2	1	2	7
	Procurement	3	3	1	2	9
	Treasury Management	3	3	1	1	8
	Business Continuity	2	3	3*	3*	11
	Asset Management	3	3	1	1	8
Resources	Car Allowances/Staff Expenses	2	1	1	3	7
	Car Loans/Leasing	1	1	1	3	6
	Petty Cash/Floats	1	1	1	3	6
	HR Recruitment/Safeguarding Arrangements	2	3	1	3	9
	Insurance	3	2	1	2	8
	Data Protection/GDPR	1	2	2	3	8
Chief Executive's	Land Charges	3	2	1	1	7
	Clitheroe Market	2	2	1	2	7
	Cemetery	2	2	1	2	7
	Licences	2	2	1	1	6
	Building Control	3	2	1	2	8
	Land and Property Leases	2	2	3*	3*	10
	Environmental Health	3	3	1	2	9
Community	Car Parking	3	2	2	1	8
	VIC/Platform Gallery	2	3	2	1	8
	Trade & Domestic Refuse Collection	2	3	1	1	7
	Museum/Café	2	2	1	2	7
	Ribblesdale Pool	2	3	1	1	7
	Edisford Sports Complex	2	3	3*	3*	11
	Parks and Outdoor Recreation	1	2	3*	3*	9
Economic Development and Planning	Homelessness	2	3	1	2	8
	Planning Applications	3	2	1	2	8
	Section 106 Agreements/Planning Enforcement	3	2	1	3	9
Other Areas	Grants Received	3	3	1	1	8
	Grants Paid	3	3	2	1	9
	Working Time and Leave	1	1	2	3	7
	Transparency/Open Data	1	1	1	2	5
	Fees and Charges/Cash Collection Procedures	3	2	1	1	7
	Externally Contracted Provision of RVBC Services	2	2	2	1	7
	ICT General Controls	3	3	3*	3*	12
	Health and Safety	3	2	2	1	8
	Partnership Arrangements	3	2	1	1	8

* Scored high as not previously included as a separate audit area

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

PROPOSED INTERNAL AUDIT ANNUAL PLAN 2020/21

Operational Audit Plan 2020/21			Days
	Number of days available		780
	Less:		
	Bank Hols/Statutory	36	
	Annual Leave	63	
	Non-Audit Duties (Insurance, etc.)	35	
	College	50	(184)
	Actual auditing days available		596
Risk Score	Area Of Activity		
	<i>Fundamental Systems</i>		
9	Main Accounting	25	
8	Creditors	20	
8	Sundry Debtors	20	
8	Payroll	30	
8	Council Tax	35	
8	Housing Benefits/Council Tax Support	40	
9	NNDR/Business Rates Pooling	35	
9	Cash Receipting	15	220
	<i>Non Fundamental Systems</i>		
8	VAT	15	
8	Treasury Management	12	
9	Procurement	15	
11	Business Continuity	20	
8	Asset Management	12	74

Risk Score	Area of Activity		
	<i>Probity/Regularity</i>		
7	Clitheroe Market	10	
9	Recruitment/Safeguarding Arrangements	15	
8	Insurance	15	
7	Cemetery	5	
7	Fees and Charges/Cash Collection Procedures	10	
8	Health and Safety	12	
8	Car Parking	12	
8	VIC/Platform Gallery	5	
7	Trade and Domestic/Refuse Collection	12	
7	Ribblesdale Pool	5	
8	Partnership Arrangements	12	
8	Grants received	12	
9	Grants paid	12	
7	Museum and Museum Café	3	
9	Environmental Health	8	
9	Section 106 Agreements/Planning Enforcement	15	
8	Building Control	10	
8	Planning Applications	10	
8	Data Protection/GDPR	12	
11	Edisford Sports Complex	5	
10	Land and Property Leases	5	
9	Parks and Outdoor Recreation	5	
8	Homelessness	5	
12	ICT General Controls	10	225
	<i>Continuous Activity/Ongoing Checks</i>		
	Income Monitoring	12	12

	Contingencies	25	25
	Risk Management	15	
	Corporate Governance	20	
	Performance Indicators	5	40
	Total Planned Audit Work		596

Audit Progress Report and Sector Update

Ribble Valley Borough Council
Year ending 31 March 2020

03 February 2020



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Introduction



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This paper provides the Accounts and 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 Accounts and 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 www.grantthornton.co.uk ..

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.

Progress at January 2020

Financial Statements Audit

We issued our opinion on your 2018/19 Statement of Accounts on 29 July 2019.

We have begun our planning for the 2019/20 audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We will begin our interim audit in March 2020. Our interim fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 31 July 2020.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. 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:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach will be included in our Audit Plan.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by 31 July 2020.

The NAO is consulting on a new Code of Audit Practice from 2020 which proposes to make significant changes to Value for Money work. Please see page 9 for more details.

Progress at December 2019 (Cont.)

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 claim was completed on 29 November, in advance of the 30 November deadline.

We issued an unqualified report on the Council's Housing Benefit Subsidy claim and no amendments were required to the original submission.

Meetings

We meet regularly with Finance Officers and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers have been invited to our Financial Reporting Workshop in February, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We are currently reviewing the impact of these changes on both the cost and timing of audits. We will discuss this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, before communicating fully with the Accounts and Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Audit Findings Report The Audit Findings Report was reported to the July Audit Committee.	July 2019	Complete
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Complete
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Complete
2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2019	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Accounts and Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements.	February 2020	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2020	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Accounts and Audit Committee.	July 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2020	Not yet due

Sector Update

Councils continue to try 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 local government sector 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.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”



In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, is expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.

The terms of reference focus on whether there is an “expectation gap” between the purpose of external audit and what it is currently delivering. It will examine the performance of local authority audit, judged according to the criteria of economy, effectiveness and efficiency.

Other key areas of the review include whether:

- 1) audit recommendations are effective in helping councils to improve financial management
- 2) auditors are using their reporting powers appropriately
- 3) councils are responding to auditors appropriately
- 4) Financial savings from local audit reforms have been realised
- 5) There has been an increase in audit providers
- 6) Auditors are properly responding to questions or objections by local taxpayers
- 7) Council accounts report financial performance in a way that is transparent and open to local press scrutiny

National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfill their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO is consulting on potential changes to the Code in two stages:

Stage 1 involves engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

This stage of the consultation is now closed. The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO state that they have considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this will inform the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)

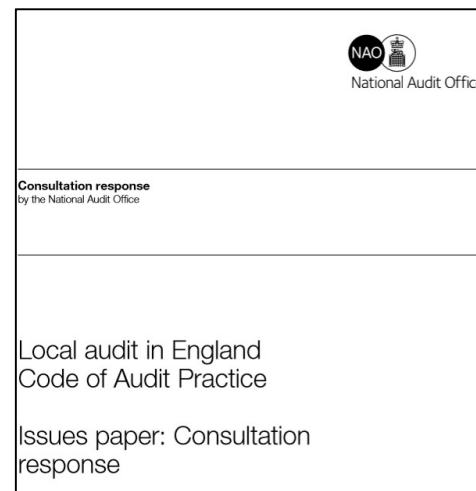
Stage 2 of the consultation involves consulting on the draft text of the new Code. To support stage 2, the NAO has published a consultation document, which highlights the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- a) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- b) Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- c) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The consultation document and a copy of the draft Code can be found on the NAO website. The consultation closed on 22 November 2019. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards.

Link to NAO webpage for the Code consultation:

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>



Financial Reporting Council – Summary of key developments for 2019/20 annual reports

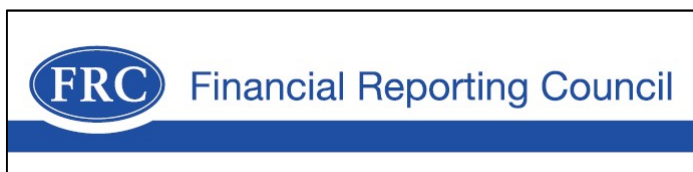
On 30 October the Financial Reporting Council (FRC) wrote an Open Letter to Company Audit Committee Chairs. Some of the points are relevant to local authorities.

The reporting environment

The FRC notes that, “In times of uncertainty, whether created by political events, general economic conditions or operational challenges, investors look for greater transparency in corporate reports to inform their decision-making. We expect companies to consider carefully the detail provided in those areas of their reports which are exposed to heightened levels of risk; for example, descriptions of how they have approached going concern considerations, the impact of Brexit and all areas of material estimation uncertainty.” These issues equally affect local authorities, and the Statement of Accounts or Annual Report should provide readers with sufficient appropriate information on these topics.

Critical judgements and estimates

The FRC wrote “More companies this year made a clear distinction between the critical judgements they make in preparing their accounts from those that involve the making of estimates and which lead to different disclosure requirements. However, some provided insufficient disclosures to explain this area of their reporting where a particular judgement had significant impact on their reporting; for example, whether a specific investment was a joint venture or a subsidiary requiring consolidation. We will continue to have a key focus on the adequacy of disclosures supporting transparent reporting of estimation uncertainties. An understanding of their sensitivity to changing assumptions is of critical value to investors, giving them clearer insight into the possible future changes in balance sheet values and which can inform their investment decisions.” Critical judgements and estimates also form a crucial part of local authority statements of account, with the distinction often blurred.



IFRS 16 Leases

The FRC letter notes “IFRS 16 is effective for periods beginning on or after 1 January 2019. We recently conducted a thematic review looking at how companies reported on their adoption of the new standard in their June 2019 interim accounts. In advance of our detailed findings which will be published shortly, I set out what we expect to see by way of disclosures in the forthcoming accounts, drawing on the results of our work.

- Clear explanation of the key judgements made in response to the new reporting requirements;
- Effective communication of the impact on profit and loss, addressing any lack of comparability with the prior year;
- Clear identification of practical expedients used on transition and accounting policy choices; and
- Well explained reconciliation, where necessary, of operating lease commitments under IAS 17, ‘Leases’, the previous standard and lease liabilities under IFRS 16.”

The implementation of IFRS is delayed until 1 April 2020 in the public sector when it will replace IAS 17 Leases and the three interpretations that supported its application. Authorities will need information and processes in place to enable them to comply with the requirements. They will need to make disclosures in the 2019/20 accounts about the impact of IFRS 16 in accordance with IAS 8/ Code 3.3.4.3 requirements for disclosure about standards which are issued but are not yet effective.

Financial Reporting



Challenge question:

Will you have the opportunity to review and comment on your authority’s statement of accounts before they are published at the end of May?

What is the future for local audit?

Paul Dossett, Head of local government at Grant Thornton, has written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

Paul goes on to write “Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government’s austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

- 1) The creation of a new arm’s length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and
- 2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it’s clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

<https://www.themj.co.uk/What-is-the-future-for-audit/214769>

Grant Thornton's Sustainable Growth Index Report

Grant Thornton has launched the Sustainable Growth Index (formerly the Vibrant Economy Index) – now in its third year. The Sustainable Growth Index seeks to define and measure the components that create successful places. Our aim in establishing the Index was to create a tool to help frame future discussions between all interested parties, stimulate action and drive change locally. We have undergone a process of updating the data for English Local Authorities on our online, interactive tool, and have produced an updated report on what the data means. All information is available on our online hub, where you can read the new report and our regional analyses.

The Sustainable Growth Index provides an independent, data-led scorecard for each local area that provides:

- businesses with a framework to understand their local economy and the issues that will affect investment decisions both within the business and externally, a tool to support their work with local enterprise partnerships, as well as help inform their strategic purpose and CSR plans in light of their impact on the local social and economic environment
- policy-makers and place-shapers with an overview of the strengths, opportunities and challenges of individual places as well as the dynamic between different areas
- Citizens with an accessible insight into how their place is doing, so that they can contribute to shaping local discussions about what is important to them

The Index shows the 'tip of the iceberg' of data sets and analysis our public services advisory team can provide our private sector clients who are considering future locations in the UK, or wanting to understand the external drivers behind why some locations perform better than others.

Our study looks at over 50 indicators to evaluate all the facets of a place and where they excel or need to improve.

Our index is divided into six baskets. These are:

- 1 Prosperity
- 2 Dynamism and opportunity
- 3 Inclusion and equality
- 4 Health, wellbeing and happiness
- 5 Resilience and sustainability
- 6 Community trust and belonging

This year's index confirms that cities have a consistent imbalance between high scores related to prosperity, dynamism and opportunity, and low scores for health, wellbeing, happiness inclusion and equality. Disparity between the richest and poorest in these areas represents a considerable challenge for those places.

Inclusion and equality remains a challenge for both highly urban and highly rural places and coastal areas, particularly along the east coast from the North East to Essex and Kent, face the most significant challenges in relation to these measures and generally rank below average.

Creating sustainable growth matters and to achieve this national policy makers and local authorities need to do seven things:

- 1 Ensure that decisions are made on the basis of robust local evidence.
- 2 Focus on the transformational trends as well as the local enablers
- 3 Align investment decisions to support the creation of sustainable growth
- 4 Align new funding to support the creation of sustainable growth
- 5 Provide space for innovation and new approaches
- 6 Focus on place over organisation
- 7 Take a longer-term view

The online report is available here:

<https://www.granthornton.co.uk/en/insights/sustainable-growth-index-how-does-your-place-score/>



Institute for Fiscal Studies – English local government funding: trends and challenges in 2019 and beyond

The Institute for Fiscal Studies (IFS) has found “The 2010s have been a decade of major financial change for English local government. Not only have funding levels – and hence what councils can spend on local services – fallen significantly; major reforms to the funding system have seen an increasing emphasis on using funding to provide financial incentives for development via initiatives such as the Business Rates Retention Scheme (BRRS) and the New Homes Bonus (NHB).”

The IFS goes on to report “Looking ahead, increases in council tax and additional grant funding from central government mean a boost to funding next year – but what about the longer term, especially given plans for further changes to the funding system, including an expansion of the BRRS in 2021–22?”

This report, the first of what we hope will be an annual series of reports providing an up-to-date analysis of local government, does three things in this context. First, it looks in detail at councils’ revenues and spending, focusing on the trends and choices taken over the last decade. Second, it looks at the outlook for local government funding both in the short and longer term. And third, it looks at the impact of the BRRS and NHB on different councils’ funding so far, to see whether there are lessons to guide reforms to these policies.

The report focuses on those revenue sources and spending areas over which county, district and single-tier councils exercise real control. We therefore exclude spending on police, fire and rescue, national park and education services and the revenues specifically for these services. When looking at trends over time, we also exclude spending on and revenues specifically for public health, and make some adjustments to social care spending to make figures more comparable across years. Public health was only devolved to councils in 2013–14, and the way social care spending is organised has also changed, with councils receiving a growing pot of money from the NHS to help fund services.”

The IFS reports a number of key facts and figures, including

- 1) Cuts to funding from central government have led to a 17% fall in councils’ spending on local public services since 2009–10 – equal to 23% or nearly £300 per person.
- 2) Local government has become increasingly reliant on local taxes for revenues.
- 3) Councils’ spending is increasingly focused on social care services – now 57% of all service budgets.

The IFS report is available on their website below:

<https://www.ifs.org.uk/publications/14563>





RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 8

meeting date: 12 FEBRUARY 2020
 title: INTERNAL AUDIT PROGRESS REPORT 2019/20
 submitted by: DIRECTOR OF RESOURCES
 principal author: MICK AINSCOW

1 PURPOSE

1.1 To report to Committee internal audit work progress to date for 2019/20.

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 2019/20 is attached as Annex 1 alongside progress to date. In summary resources for the year have been allocated as follows:

Audit Area	2019/20 Planned Days	Actual Days to 31 January 2020
Fundamental (Main) Systems	230	146
Other Systems	74	42
Probity and Regularity	232	114
On-going checks	12	10
Risk Management, Performance Indicators	40	20
Non-Audit Duties (Insurance)	35	32
College/Training	30	22
Contingencies/unplanned work	20	5
Vacant Posts		156
Available Audit Days to 31 March 2020		126
	673	673

2.4 The position with regards to audit work carried out as at the 31 January 2020 is included within Annex 1 and shows completed audits, audits in progress and continuous activity.






2.5 During the year we aim to review all of the Council's main fundamental systems. Reviews have so far been completed in relation to the Creditors, Payroll, Council Tax, Housing Benefits and Cash Receipting systems. Testing is currently underway on the Sundry

Debtors system and it is hoped that this will be completed by 31 March along with reviews of the Main Accounting and NNDR systems.

3 ISSUES





3.1 In addition to our systems work we will continue to carry out a series of on-going checks to prevent/detect fraud and corruption.


3.2 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 27 November 2019. The table below sets out the assurance opinions issued from these audits:

Date of Report	Assurance Opinion	Report Details
02.12.19	Full 	Housing Benefits System – control systems in place were operating effectively. No recommendations arising.
02.12.19	Full 	Payroll System – levels of control in place are effective and reflect a good standard of operation. No recommendations arising.
18.12.19	Full 	Externally Contracted Provision of RVBC Services – looking at services provided on a cyclical contracted basis. Good controls in place with full supporting paper work. No recommendations arising.
07.01.20	Full 	Licensing – Sample of all licences issued by the Council were examined and all relevant paperwork checked. Good controls in place. No recommendations arising.

Date of Report	Assurance Opinion	Report Details
07.01.20	Full 	Council Tax System – sound system of internal control operating. Controls in place are being consistently applied. No recommendations arising.

5 CURRENT STAFFING POSITION

5.1 At the end of August we successfully recruited for both the Internal Auditor and Internal Audit Assistant posts, at that time bringing the team back to full strength. The vacant posts have obviously impacted on the 2019/20 Audit Plan coverage.

5.2 As from week commencing 3 February 2020 the post of Principal Auditor will be vacant, and the post is currently being advertised for, with interviews planned for 5 March. We still hope to be able to complete the key audits on the fundamental systems by 31 March 2020.

6 UPDATE ON RED RISKS

6.1 There are currently no red risks to report.

7 CONCLUSION

7.1 Progress to date with the 2019/20 audit plan is satisfactory, but with potential issues around staffing whilst the current recruitment process is underway.

PRINCIPAL AUDITOR

DIRECTOR OF RESOURCES

AA5-20/MA/AC
3 February 2020

Annex 1

2019/20 Planned Days	Audit	Actual days to 31/01/20	Status as at 31/01/20
<i>Fundamental (Main) Systems</i>			
25	Main Accounting	0	Not started
20	Creditors	20	✓
20	Sundry Debtors	1	Testing underway
30	Payroll and HR	30	✓
40	Council Tax	40	✓
40	Housing Benefits/CT Support	40	✓
40	NNDR/Business Rates Pooling	0	Not started
15	Cash Receipting	15	✓
230		146	
<i>Other Systems Work</i>			
15	VAT	6	Testing underway
12	Treasury Management	12	✓
15	Procurement	12	Testing complete
20	Business Continuity	0	Not started
12	Asset Management	12	✓
74		42	
<i>Probity and Regularity</i>			
15	Recruitment/Safeguarding Arrangements	0	Not started
15	Insurance	0	Not started
5	Land Charges	5	✓
10	Fees and Charges/Cash Collection Procedures	10	✓
12	Health and Safety	12	✓
10	Car Parking	10	✓
5	VIC/Platform Gallery	5	✓
12	Trade and Domestic Refuse Collection	12	✓
15	Externally contracted Provision of RVBC Services	15	✓
10	Environmental Health	0	Not started
12	ICT Audit	0	Not started
5	Healthy Lifestyles/Up and Active	5	✓
5	Ribblesdale Pool	5	✓
3	Museum/Café	0	Not started
12	Partnership Arrangements	12	At draft report stage
12	Grants received	8	At draft report stage
12	Grants paid	10	At draft report stage
12	Data Protection/GDPR	0	Not started
15	Section 106 Agreements/Planning Enforcement	0	Not started
10	Building Control	0	Not started
5	Licences	5	✓

2019/20 Planned Days	Audit	Actual days to 31/01/20	Status as at 31/01/20
5	Land and Property Leases	0	Not started
5	Outdoor Recreation	0	Not started
10	Planning Applications	0	Not started
232		114	
<i>Continuous Activity/Ongoing Checks</i>			
12	Income Monitoring	10	∞
20	Contingencies/unplanned work	5	Insurance/Licence Check and Car Park Income Investigations
15	Risk Management	14	∞
20	Corporate Governance	1	∞
5	Performance Indicators	5	∞
40		20	
35	Insurance	32	∞
30	Training	22	Training/Supervising new members of Audit Team
	Vacant post	156	
	Available audit days to 31/3/2020	126	
673		673	

Key:

∞ Continuous Activity

✓ Completed

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

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 9

meeting date: 12 FEBRUARY 2020
title: REVIEW OF LOCAL AUTHORITY FINANCIAL REPORTING AND EXTERNAL
AUDIT – CALL FOR VIEWS
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To provide members with details of the Council's response to the call for views on the independent review into the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England.

1.2 Relevance to the Council's ambitions and priorities:

- The council aims to be a well-managed council.

2 BACKGROUND

2.1 The Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG) invited Sir Tony Redmond to conduct a review of the arrangements in place to support the transparency and quality of local authority financial reporting and external audit including those introduced by the Local Audit and Accountability Act 2014.

2.2 At your meeting on 27 November members were provided with a copy of the Call for Views consultation document and any comments for inclusion in the Council response were invited.

3 REVIEW OBJECTIVES

3.1 The Review will examine the existing purpose, scope and quality of statutory audits of local authorities in England and the supporting regulatory framework in order to determine:

- Whether the audit and related regulatory framework for local authorities in England is operating in line with the policy intent set out in the Act and the related impact assessment
- Whether the reforms have improved the effectiveness of the control and governance framework along with the transparency of financial information presented by councils;
- Whether the current statutory framework for local authority financial reporting supports the transparent disclosure of financial performance and enables users of the accounts to hold local authorities to account; and
- To make recommendations on how far the process, products and framework may need to improve and evolve to meet the needs of local residents and local taxpayers, and the wider public interest.

3.2 SCOPE

3.3 The review's scope is taken to include the objectives and context included in these terms of reference. In practice, this means the review is likely to focus on the following questions;

- Have the financial savings from local audit reforms been realised?

- Is there a more accessible audit market and has there been an increase in audit providers?
 - Have audit standards been maintained or improved, and not been compromised?
 - Is there an 'expectation gap' in what external audit provides? What is the nature of the gap and how can it be filled?
 - Are auditors properly responding to questions or objections by local taxpayers?
 - Are auditors using their reporting powers in an appropriate way?
 - Are audit recommendations effective in helping local authorities to improve their financial management?
 - Are councils responding to auditor recommendations in an appropriate manner?
 - Whether local authority accounts report financial performance including use of resources against budget in a manner that is transparent and comprehensible to council tax payers and the general public?
 - Does the financial information provided in local authority accounts facilitate scrutiny by local taxpayers and by the local press?
- 3.4 The financial reporting and audit framework for Clinical Commissioning Groups, NHS Trusts and Foundation Trust and special trustees for hospitals is outside the scope of this Review. This is because these bodies have significantly different statutory bases and governance frameworks to other bodies covered by the Act
- 3.5 The Council's response to the Call for Views document is attached at Annex 1.
- 4 CONCLUSION
- 4.1 The Review will examine the existing purpose, scope and quality of statutory audits of local authorities in England and the supporting regulatory framework.
- 4.2 The Council submitted a response to the Call for Views consultation document and details are attached to this report. The consultation is now closed and feedback is being analysed.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA6-20/LO/AC
3 February 2020

For further information please ask for Lawson Oddie

Independent review into the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England: Call for Views

RESPONSE FROM RIBBLE VALLEY BOROUGH COUNCIL

PART 1: STRATEGIC CALL FOR VIEWS

Chapter 1: Definitions of audit and users of the accounts

Q1. Who, in your opinion, are the primary users of/main audience for local authority accounts?

A1. From an idealistic perspective we would agree with the definition provided by CIPFA, however due to the increased complexity that has been brought in to local authority accounts over recent years to bring them in line with IFRS, it is felt that such audiences as service recipients (residents, elected members, workforce) have been failed and are not reflected in reality as primary users.

Q2. Who are the other users of local authority accounts? Are any of these other users of accounts particularly important?

A2. Pressure groups, potential suppliers, press. These users are important as they often influence public opinion and a distorted understanding of local authority accounts can result in misunderstanding and misrepresentation of the financial position and performance of a local authority.

Q3. What level of financial literacy/familiarity with accounts and audit is it reasonable to expect the primary users of accounts to have and what implications does this have for the information presented in accounts and/or the information that should be subject to external audit?

A3. Financial literacy, but not in the context of local authority accounting, can lead to an inaccurate understanding of the financial position of a local council. It is unfortunate that the drive for the presentation of the accounts under IFRS has had the side effect of local authority accounts being interpreted on a commercial basis and without understanding of the public sector context and associated accounting adjustments that also take place.

Q4. Does the external audit process cover the right things given the interests of the primary users of the accounts/is the scope of the opinions wide enough?

A4. Whilst the financial landscape in local government has changed dramatically over recent years, the focus of the external audit does not appear to have followed suit. Whilst some issues may be covered within the Value for Money opinion, there is little audit over such high impact areas as council tax base calculation and also business rates and the associated returns. These are areas that have huge impacts on the level of funding that local authorities receive and have the potential to substantially distort the council's financial position.

Q5. Is the going concern opinion meaningful when assessing local authority resilience? If not, what should replace it?

A5. The going concern opinion is not meaningful in the context of a local authority. An opinion on the long-term sustainability of local services would be more fitting and sits comfortably alongside the new CIPFA Financial Management Code.

Chapter 2: The Expectation Gap

Q6. In your opinion, what should an external audit of a set of local authority financial statements cover?

A6. Accuracy of presentation with comment on financial sustainability. Less focus on items that are added and reversed out of the accounts due to being a local authority – ie accumulated absence adjustments, pensions adjustments, depreciation adjustments.

If the presentation of the accounts were simplified, by the removal of the many adjustments that were introduced by IFRS (which are then reversed back out of local authority accounts), the audit focus could be shifted from these accounting entries that are time consuming to produce and audit, and which cause confusion for the reader, masking the true message.

Q7. In your opinion, what should the scope of the external auditor's value for money opinion be?

Q7. Perhaps with the introduction of the CIPFA Financial Management Code the themes could be reflected in the vfm audit: leadership; accountability; transparency; standards; assurance; sustainability – making recommendations on areas of failings.

Q8. What is your view on the scope of an external audit engagement as described in Chapters 1 and 2 of this Call for Views? If it is different from your expectations, does this have implications for the reliance you place on external audit work?

Q8. The going concern principle for local authorities is confirmed as meaningless, and the fact that auditors are bound to the requirement to report all local authorities as going concerns adds to this. This can give a totally distorted picture of the financial position of a local authority and can give false assurance to the reader of the accounts of the sustainability of services.

Q9. Should the external audit engagement be extended? If so, which additional areas/matters are most important for external auditors to look at? What would be the cost implications of extending the engagement to the areas/matters you consider to be most important be?

A9. Service focused value for money work/projects would add value, comparability and sharing of best practice across local authority audit areas. This could follow varying themes/service areas from year to year and be focused on service improvements and accountability.

PART 2: TECHNICAL CALL FOR VIEWS

Chapter 3: Audit and Wider Assurance

Q10. Should the scope of the vfm opinion be expanded to explicitly require assessment of the systems in place to support the preparation of some or all of the reports that statute requires to be presented to full Council? If you do, which reports should be within scope of the external audit vfm engagement? If not, should these be assessed through another form of external engagement? If you believe that the vfm opinion should be extended to cover these reports will there be implications for the timing of audit work or auditor reporting?

A10. Yes, we agree that the scope of the vfm opinion should be expanded to explicitly require assessment of the systems in place to support the preparation of the reports that statute requires to be presented to full Council, notably the Balanced Budget Report; Mid-Term Financial Strategy; Capital Strategy, Investments Strategy and Minimum Revenue Provision Strategy.

Q11. Should external auditors be required to engage with Inspectorates looking at aspects of a local authority's service delivery? If you believe that this engagement should happen, how frequent should such engagement be and what would be the end purpose of doing so?

A11. We feel that it is important that the external auditors should be required to engage with Inspectorates. This would allow a more joined up approach to the overall inspection regime, with each party being able to see all parts of the jigsaw.

Chapter 4: The Governance Framework for the Audit System

Q12. Does the current procurement process for local authority audit drive the right balance between cost reduction, quality of work, volume of external audit hours and mix of staff undertaking audit engagements?

A12. Whilst the reduction in audit fees has been welcomed at a local authority level, the ability of external audit firms to meet the demands upon them within quoted contract values seems questionable. This has particularly been evident with more recent demands around PPE Valuations and also Pensions (including McCloud).

Whilst not directly experienced at this council, there appear to be instances of difficulties in audits being able to be completed within deadlines, compounded by recruitment difficulties.

The robustness of the procurement process in gaining assurances that the service levels quoted for can be achieved at the prices quoted is called in to question.

Q13. How should regulators ensure that audit firms and responsible individuals have the skills, experience and knowledge to deliver high quality financial and vfm audits, whilst ensuring the barriers to entry do not get too high?

A13. There should be more robust challenge of the statements that are made within tender documents, and of the ability of the firms to meet demand.

Perhaps the standards required are adequate, but the challenge from regulators is not robust enough and perhaps the penalty for not satisfying the requirements of awarded contracts are not high/strong enough.

Q14. What metrics should regulators use when assessing whether financial and vfm audits are delivered to an appropriate level of quality?

A14. A standardised review framework which is reported on 'centrally', but unsure who that central body should be in the current landscape (MHCLG?).

Q15. Do you agree with the Independent Review of the Financial Reporting Council's findings and recommendations; and why do you agree/not agree? If you agree with the recommendations do you think the 'single regulatory body' should be the "successor body to the FRC" or a sector specific entity? If you do not agree with the recommendations are there any other changes you would make to the regulatory framework for local authority audit?

A15. Yes, we agree with the Financial Reporting Council's findings and recommendations.

Chapter 5: Audit Product and Quality

Q16. Do external audit firms have enough understanding of the local authority regulatory framework to focus audit work on the right areas? How do they/should they demonstrate this? Who should regulate this work?

A16. A number of external audit firms are fortunate to have the expertise of past Audit Commission employees or long-standing staff from past local authority audits and have that understanding. A balance of relevant qualifications (CIPFA) for audit staff which reflect the specialist nature of local authority accounting should help maintain the necessary skills and focus of audit work.

Perhaps MHCLG have a role in the regulation of this work.

Q17. Do auditing standards have a positive impact on the quality of local authority financial audits?

A17. Whilst these provide for consistency of approach, this can detract from other areas of local importance or local circumstance which may present areas of high risk.

Q18. Do audit firms allocate sufficient resources to deliver high quality and timely audits? How is consistency and quality maintained in external audit work? To what extent is there consistency in audit teams year on year? What more can be done to ensure consistency between firms?

A18. The availability of adequately qualified staff appears to be causing issues around a number of audit firms, and this is impacting on the timeliness of audit work for some local authorities, potentially impacting on local authority reputation due to speculation around any delays.

Q19. To what extent are senior audit staff, particularly the responsible individual signing the audit certificate, visibly involved in audit work? Who do senior audit staff meet with?

A19. Periodic meetings are held with the responsible individual signing the audit certificate. There is feedback and queries relayed from the responsible individual signing the audit certificate during the audit itself.

Q20. Should external auditors consider financial resilience as a key factor when designing their vfm work programme? If so, what factors do they/should they consider as indicative of a lack of financial resilience?

A20. We agree that external auditors should consider financial resilience as a key factor when designing their vfm work programme and sits comfortably alongside the new CIPFA Financial Management Code and the factors included within it.

Q21. Does the Code of Audit Practice provide enough guidance on how much work needs to be done to support the vfm opinion? If not, what should it cover?

A21. Based on the information with the Call for Views document it is not felt that the Code of Audit Practice provides enough guidance on how much work needs to be done to support the vfm opinion. Again, we feel that the new CIPFA Financial Management Code and the factors included within it should act as the backbone for forming the vfm opinion.

Q22. Do auditing standards provide appropriate guidance on quality standards for vfm audits? If not, is guidance needed and should it be included in the Code of Audit Practice or elsewhere?

A22. We do not feel that the auditing standards provide appropriate guidance (to allow consistency across all audits) on quality standards for vfm audits.

Q23. What is the current relationship between external and internal audit? How should that relationship be developed to add most value to local authorities and local residents?

A23. There is currently a limited relationship between the external and internal audit teams. Sharing of risk areas and also best practice would help in raising the profile of the work of the internal audit teams.

Q24. What should happen when a regulator finds that a local authority audit has not met quality standards? Where should the balance between ensuring effective enforcement action against auditors and maintaining participants in the audit market lie?

A24. We believe that there should be enforcement action against auditors, however the failure to meet the earlier deadlines for the closedown and audit of financial statements perhaps highlights that such earlier deadlines are not realistically achievable or sustainable, particularly as more technical changes are introduced, which in turn adds to the burden on the external audits.

There is a risk of compounding existing issues around recruitment for external auditors if the inability to meet these deadlines continues and the views of potential recruits of the industry become tainted.

Chapter 6: Auditor Reporting

Q25. Do you think that the format of the vfm audit opinion provides useful information? If not what would you like it to cover?

A25. The themes of the new CIPFA Financial Management Code may be appropriate.

Q26. Do you think the vfm opinion should be qualified solely because a local authority has received an inadequate Ofsted opinion or a similar opinion from another inspectorate?

A26. Whilst this authority is not directly affected by the issues raised in the Call for Views document it would appear problematic for an auditor to be able to provide an unqualified vfm opinion where services have been deemed inadequate by other inspection regimes. It is difficult to see how an authority can be providing value for money, when being classified as inadequate for services it provides.

Q27. Do you think that the vfm opinion is presented at the right point in a local authority's annual financial management and budgeting cycle? If not when do you think it would be most useful?

A27. We feel that the opinion sits at the right point within the annual financial management and budgeting cycle. It allows for reflection on the full financial year gone and is timely for actioning anything that may impact on the forthcoming budget cycle, and allows time for action within the current year where needed.

Q28. Where auditors have identified significant issues, audit certificates and reports have often been delayed? Why do you think this is and can changes be made to the framework to encourage earlier reporting of significant issues?

A28. Timeliness of reporting for identified significant issues would allow any action to be undertaken sooner. As highlighted in the Call for Views document, if not reported in a timely manner reporting can become meaningless/toothless as matters have been addressed by the time reports are issued. An understanding of the reasons for these delays would be needed to comment any further.

Q29. In your view, what sorts of issues should Public Interest Reports be used to highlight?

A29. Major failures in governance arrangements.

Q30. Statistics demonstrate that very few Public Interest Reports and Statutory Recommendations have been issued. Why do you think this is? Does it indicate an issue with the framework or common behaviours? If you think this is an issue, what can be done to incentivise more frequent and timely reporting of significant issues?

A30. Unable to comment

Q31. Does a publication summarising the results of local authority audits add value? If so who should publish it and what information would they need to have access to perform this function effectively?

A31. This would depend on the intended audience and what it is thought such a publication would be seeking to achieve. Due to such varying local circumstance and the need for contextual information to reflect properly on any summarised information it is difficult to understand the benefits that would be achieved from such a publication.

Chapter 7: The Framework for Responding to Audit Findings

Q32. To whom should external auditors present audit reports and findings; is it the audit committee, to full council or equivalent or another committee? If findings are not presented to full council or equivalent what information (if any) should full council or equivalent receive?

A32. We believe that audit reports and findings should be reported to a dedicated Audit and Governance Committee. This would help ensure the high profile of not only the audit reports and findings, but also other key accountancy, audit and governance issues where adequate time can be dedicated to these key issues.

Q33. In your authority, what is the membership of the audit committee (number of members, how many are independent etc) and which officers typically attend?

A33. Our Audit Committee consists of 11 members. There are also two independent persons. Officers typically attending are Chief Executive, Director of Resources (S151 Officer), Head of Financial Service (Head of Internal Audit role), Head of Legal Services (Monitoring Officer).

Q34. How should local authorities track implementation of recommendations made by internal audit, external audit and relevant statutory inspectorates? What should the external auditors do if recommendations are not being implemented?

A34. These should be reported to members as an action plan and progress monitored, with officers answerable to members for failure to implement any agreed actions.

With regard to the failure to implement external audit recommendations, this would be dependant upon the nature of the recommendation and whether this warranted any qualification of the accounts.

Once again, the failure to implement external audit recommendations could be reported to Audit Committee members – or direct to Full Council or equivalent where appropriate.

Q35. Should there be a role for an external body in tracking action taken in response to modified audit opinions and/or statutory recommendations and public interest reports? If so should that responsibility sit with MHCLG, the sector specific oversight body recommended by the Independent Review of the Financial Reporting Council or another body?

A35. This council believes that responsibility should sit with MHCLG

Chapter 8: The Financial Reporting Framework

Q36. Do local authority accounts allow the user to understand an authority's financial performance and its financial resilience? If not, how could they be revised to be more understandable? What information could be presented to enable users of the accounts to understand whether the financial position of a specific LA is getting better or worse?

A36. The many IFRS related accounting entries to the accounts cloud the real message that local authority accounts should be trying to convey. The narrative report helps explain the real messages and to some extent can be seen to have taken over the role once satisfied purely by the statements themselves. The complexity of the statements and the accounting adjustments now makes them inaccessible to the majority of those who should be the real 'primary users of the accounts'.

Q37. The UK Government is committed to maintaining IFRS based accounting for the UK public sector. Given this, how would you recommend resolving the mismatch between the accruals and funding basis to improve the understandability of local authority accounts?

A37. Whilst the commitment to continue with IFRS based accounting for the UK public sector remains (with the associated accounting adjustments and notes required to restate figures within them for local authority context) there appears little ability to provide a simple solution to the complexity we now see in many local authority accounts.

Q38. Do you think that summary financial information should be reported in the annual report section of the accounts? If so, on what basis and should this information be covered by the financial audit opinion?

A38. It is strange that the Narrative Report, as the most understandable and therefore probably the most read element of the statement of accounts document is not subject to audit. As previously expressed, a simplification of the accounts themselves would provide a better solution and avoid confusion to the lay-reader, rather than the presentation of the same information in two different formats within the same document that are difficult to reconcile without more specific accounting knowledge.

Q39. If you think that summary financial information should be reported in the annual report section of the accounts, should it be presented with performance information? If so, what performance information would be of most interest to stakeholders?

A39. In order to allow the reader to gain a more rounded opinion of the performance of the council we feel that this should include both qualitative and quantitative measures. Qualitative measures could include measures of performance against corporate strategy targets in year, whilst quantitative measures could provide a range of relevant ratios/statistics.

Chapter 9: Other Issues

Q40. For larger authorities, does the inspection and objection regime allow local residents to hold their council to account in an effective manner? If not, how should the regime be modified?

A40. We believe that the opportunities are already there for local residents to hold their council to account in an effective manner. We feel that the regime is adequate, but that the complexity of local authority accounts is the issue and acts as a barrier.

Q41. Is more guidance needed to help auditors assess the impact of significant changes to common business models? If so is this guidance needed to support the financial audit, the vfm audit or both?

A41. Whilst not directly affected, this council can see the benefits of more guidance to support both the financial audit and the vfm audit.

Q42. Is the financial reporting and audit framework for larger category 2 authorities appropriate? If not, what additional information should be subject to audit/assurance and what would be the cost implications of this?

A42. Unable to comment

Q43. For smaller authorities, does the inspection and objection regime allow local residents to hold their council to account in an effective manner and is the cost of processing and responding to objections proportionate? If not, how should the regime be modified?

A43. As has been seen in recent years, there are instances where increased amounts of spend is being directed through smaller authorities by a number of local authorities. With this in mind, the inspection regime around these smaller authorities is seen as very 'light touch' and a more rigorous approach would be encouraged around financial statements and governance arrangements.