

Audit and Governance Committee Progress and Update Report for Cheshire East Council

Year ended 31 March 2016

20 June 2016

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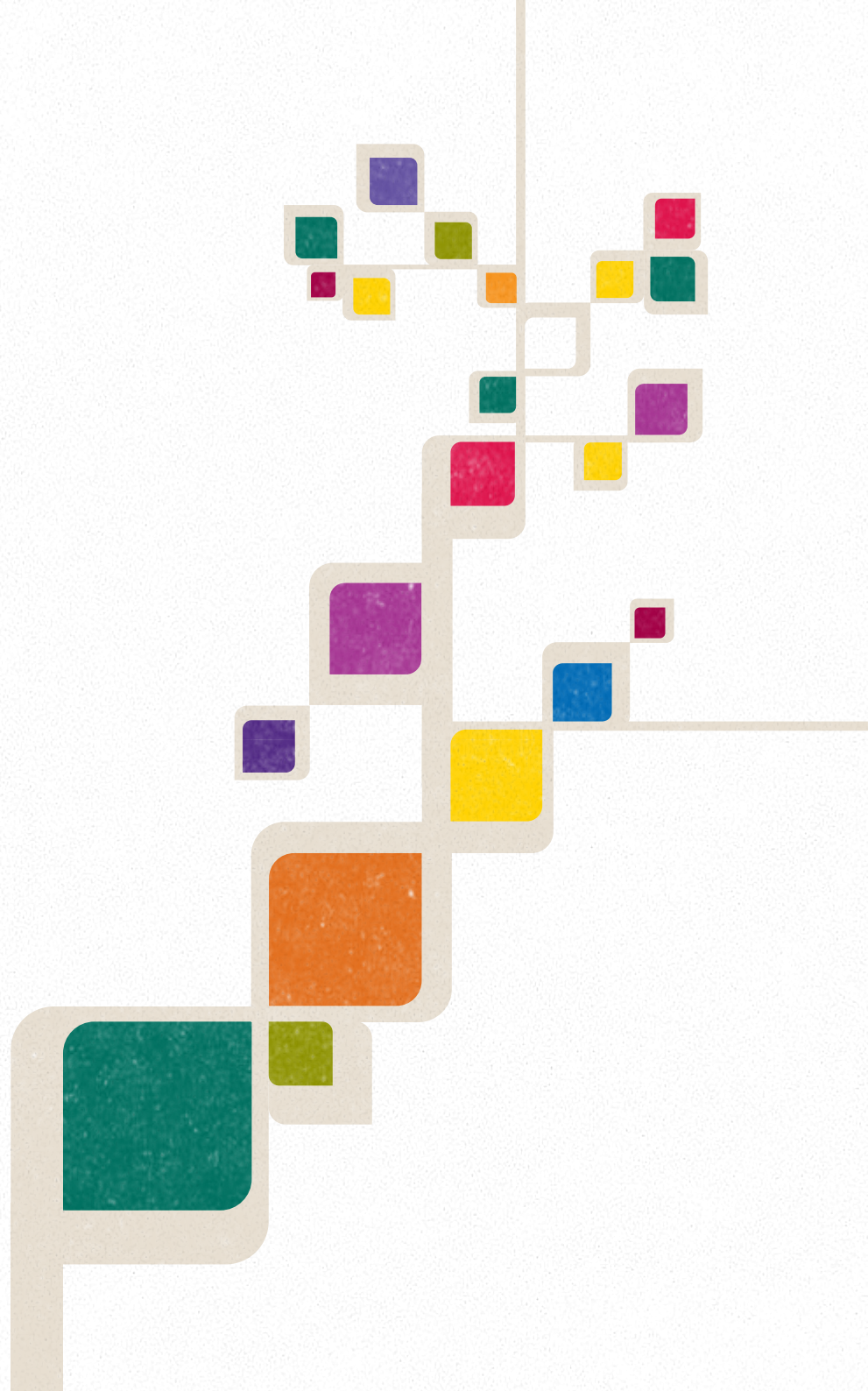
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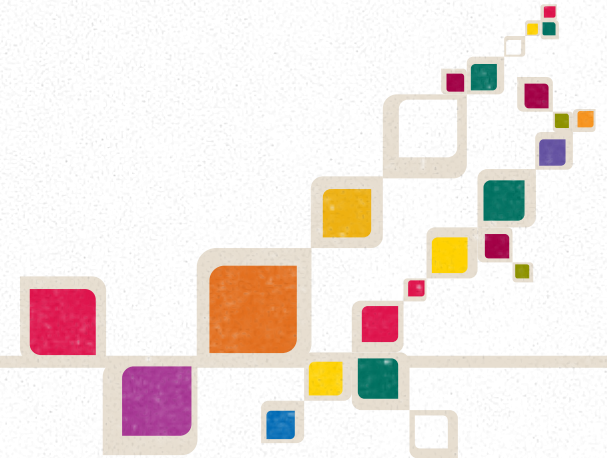
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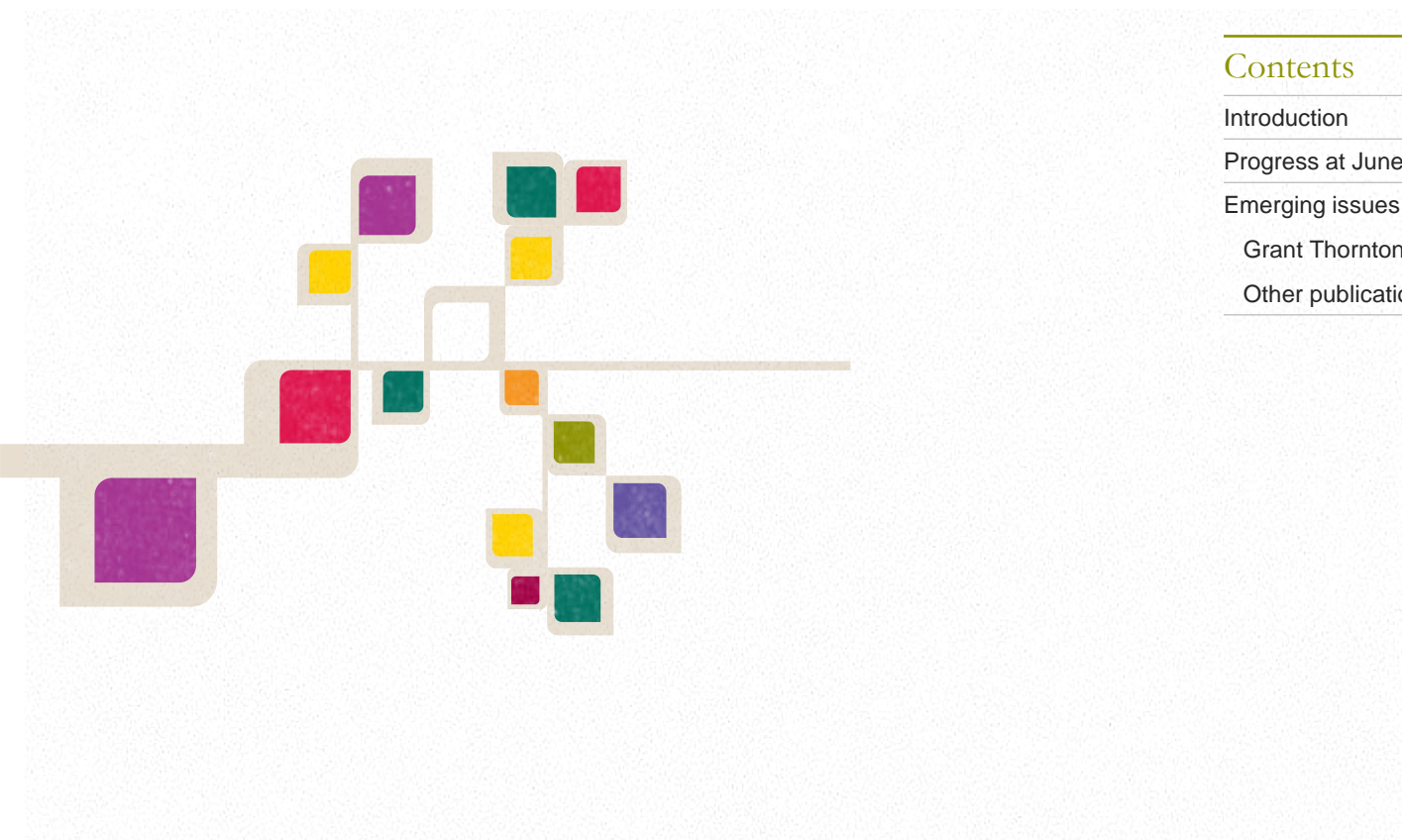
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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



Contents



Contents	Page
Introduction	4
Progress at June 2016	5
Emerging issues and developments:	
Grant Thornton reports	8
Other publications	10

Introduction

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

Members of the Audit and Governance Committee can find further useful material on our website www.grantthornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications including:

- Better Together: Building a successful joint venture company;
<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ;
www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015)
www.grantthornton.co.uk/en/insights/making-devolution-work/
- Turning up the volume: The Business Location
www.grantthornton.co.uk/en/insights/turning-up-the-volume-the-business-location-index/

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



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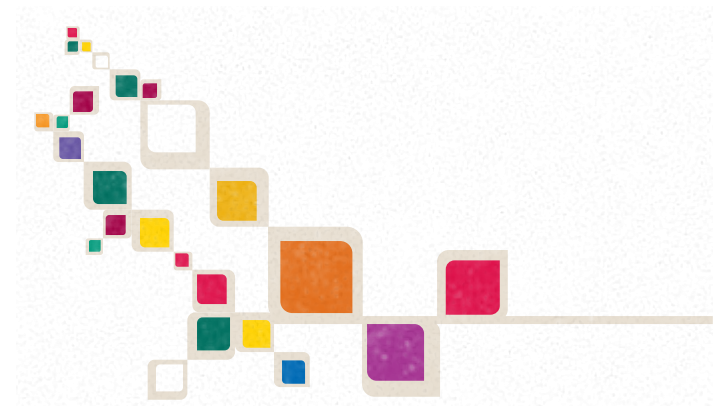
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Progress at 20 June 2016



 **Progress against plan**
On track



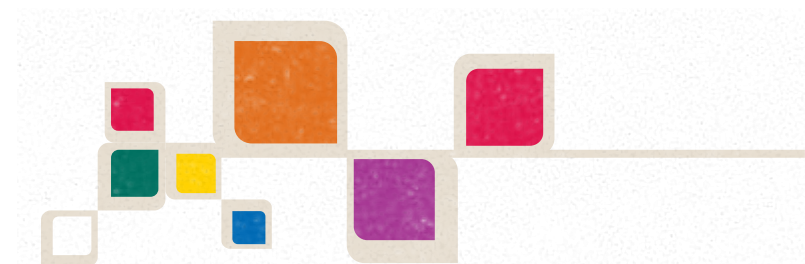
 **Opinion and VfM conclusion**
Plan to give before deadline of
30 September 2016



 **Outputs delivered**
Fee letter, Progress Reports, delivered
to plan

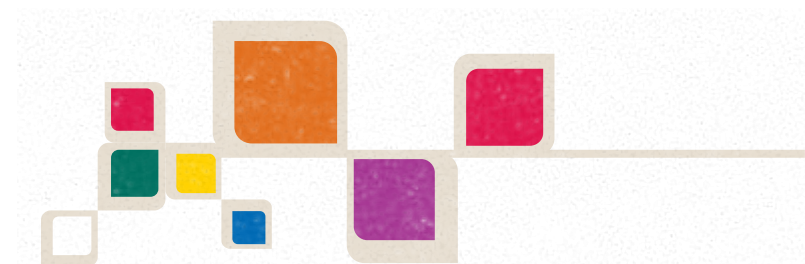
2015/16 work	Completed	Comments
Fee Letter We issued the 'Planned fee letter for 2015/16 in April 2015.	April 2015	We have also recently issued the fee letter for 2016/17, with no change to the fee proposed. This is reported to this meeting of the Audit and Governance committee.
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements. We also inform you of any subsequent changes to our audit approach.	March 2016	This was presented to the Audit and Governance Committee in March.
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing 	March 2016	We reported some audit findings from our interim fieldwork in our audit plan in March. As part of our formal communication between auditors and the council's Audit and Governance Committee, as 'those charged with governance' we prepare a specific report which covers some important areas of the auditor risk assessment where we are required to make inquiries of management and the Audit Committee under auditing standards. This was also presented to the Audit and Governance Committee in March.

Progress at 20 June 2016



2015/16 work	Completed	Comments
Final accounts audit Including: <ul style="list-style-type: none"> Audit of the 2015/16 financial statements proposed opinion on the Council's accounts 	<i>In progress</i> <i>Field work in June – July, opinion to be issued by 30 September 2016</i>	<p>We planned to complete our audit by 31st July as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>The Council provided an initial draft of the accounts on 8 June but at this stage had more work to do to include the narrative report, the cash flow statement and the group financial statements.</p> <p>We have shared the findings from our initial review of these draft accounts with the finance staff so that they can consider these points and make improvements for some of the matters highlighted, at an early stage.</p> <p>We provided a schedule of the evidence needed to support the financial statements and we refer to the information that has been collated by the Council as the audit progresses.</p> <p>Throughout the audit we have discussed the implications of emerging accounting matters with finance staff.</p> <p>We have also met with Internal Audit to discuss the progress in preparing the Council's Annual Governance Statement for 2015/16, and to highlight and discuss the requirements of the proper practice set out in CIPFA/ SOLACE document 'Delivering good Governance in Local Government: Framework'.</p>
Value for Money (VfM) conclusion 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 overall criterion is "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: <ul style="list-style-type: none"> Informed decision making Sustainable resource deployment Working with partners and other third parties 	<i>Field work in June – July, formal conclusion reported by 30 September 2016</i>	<p>The scope of our work differs from previous years and is set out in the final guidance issued by the National Audit Office in November 2015.</p> <p>We set out the result of our risk assessment and the proposed focus of our work in the audit plan presented to the Audit and Governance Committee in March</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report.</p> <p>We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.</p>

Progress at 20 June 2016



2015/16 work	Completed	Comments
Grant certification		
The only grant claim to be certified for 2015/16, under the existing PSAA framework is the housing benefits subsidy claim.	<i>To be certified by end of November 2016</i>	The Council has prepared the draft claim for housing benefits subsidy and the initial audit testing is underway.
Other audit related services		
We have recently provided a 'reasonable assurance report' in respect of the grant income received for Local Transport Plan Major Projects – Crewe Green Link Road 2014/15 expenditure.	May 2015	The work was completed in accordance with the requirements of the Department for Transport and is covered by a separate letter of engagement.
'Reasonable assurance report' in respect of the Teacher' Pensions Return for 2015/16.	<i>To be certified by end of November 2016</i>	The Council has prepared the return. We will agree a separate letter of engagement for this work.
Other activities		
We provide a range of workshops, along with network events for members and publications to support the Council.	Ongoing	<p>We have met with finance staff to discuss the changes to accounting standards and the Code of Practice, and emerging issues and future developments, to support officers involved in the preparation of the Financial Statements.</p> <p>We have provided a briefing paper setting out the new requirements for the Narrative Report, that replaces the explanatory foreword in the financial statements.</p> <p>As well as working with CIPFA to present a series of accounts closedown workshops, we have also provided specific workshops focussing on the accounting and governance implications of the Better Care Fund and the complex requirements for the Accounting for Highways Network Asset.</p> <p>Further details of the publications that may be of interest to the Council are set out from page 8.</p>

Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton reports

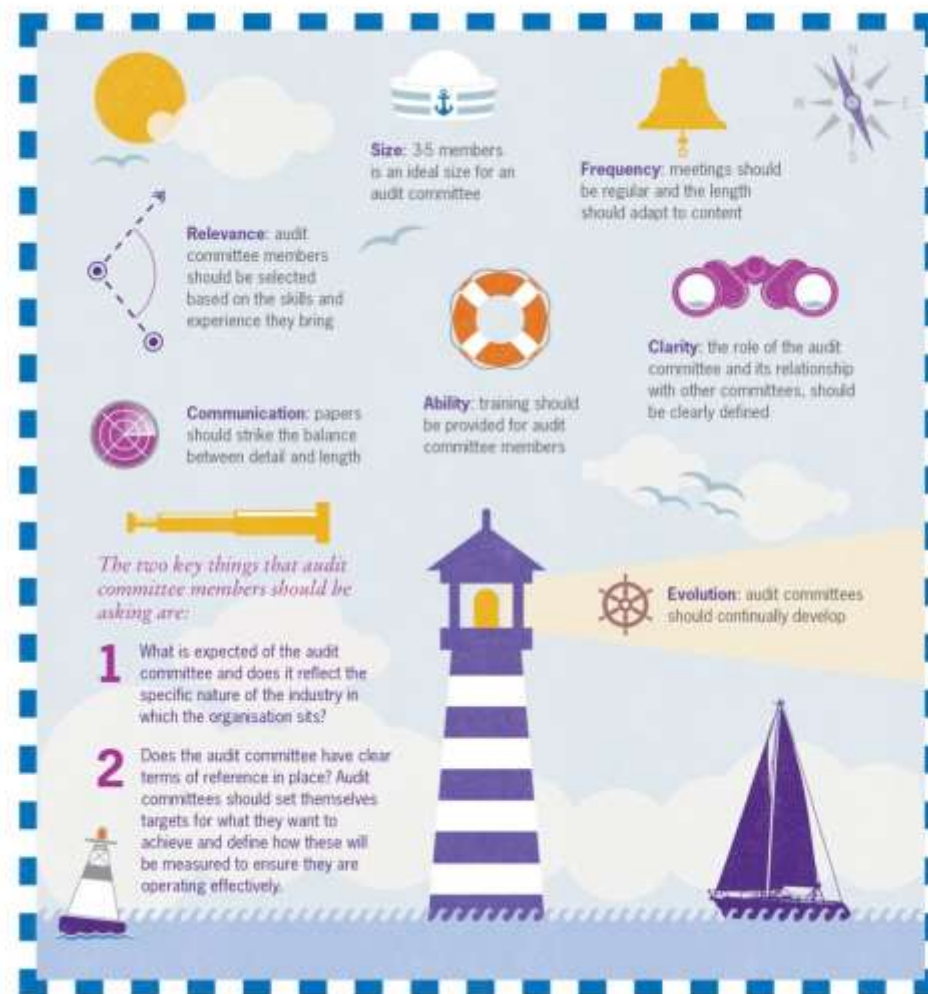
We have published our first cross-sector review of Audit Committee effectiveness encompassing the corporate, not for profit and public sectors.

It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. The report is structured into four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

The detailed report is available here

<http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>



Better Together: Building a successful joint venture company

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>

Grant Thornton reports

Grant Thornton
An instinct for growth

ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together
Building a successful
joint venture company



Fighting Fraud and Corruption Locally

CIPFA publication

Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>





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