

# Audit and Governance Committee Update for Cheshire East Council

---

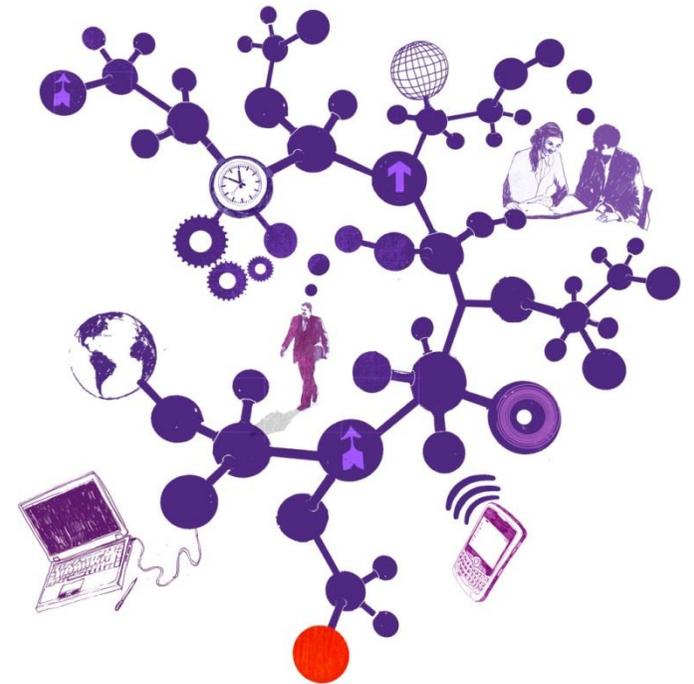
**Year ended 31 March 2014**

20 January 2014

**Jon Roberts**  
Engagement lead  
T 0121 232 5410  
E [jon.roberts@uk.gt.com](mailto:jon.roberts@uk.gt.com)

**Allison Rhodes**  
Manager  
T 0121 232 5285  
E [allison.rhodes@uk.gt.com](mailto:allison.rhodes@uk.gt.com)

**Naomi Povey**  
Executive  
T 0121 232 5294  
E [naomi.j.povey@uk.gt.com](mailto:naomi.j.povey@uk.gt.com)



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

---

# Contents

<b>Section</b>	<b>Page</b>
Introduction	4
Your new audit team	4
Independence	5
Progress at 20 January 2014	6
Emerging issues and developments	
Local government guidance	8

# Introduction

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

- a summary of emerging national issues and developments that may be relevant to you as a unitary authority
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Governance Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

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 Audit Manager using the contact details below.

## Your new audit team

**Jon Roberts**  
**Regional Lead Partner/ Engagement Lead**  
T 0121 232 5410  
M 07786 198 735  
E [jon.roberts@uk.gt.com](mailto:jon.roberts@uk.gt.com)

**Allison Rhodes**  
**Manager**  
T 0121 232 5285  
M 07880 456 118  
E [allison.rhodes@uk.gt.com](mailto:allison.rhodes@uk.gt.com)

**Naomi Povey**  
**Executive**  
T 0121 232 5294  
E [naomi.j.povey@uk.gt.com](mailto:naomi.j.povey@uk.gt.com)

# Independence

In January 2014 Judith Tench joined Cheshire East Council as Head of Corporate Resources and Stewardship (Deputy s151 Office). Judith was formerly employed by Grant Thornton UK LLP and was the engagement lead for the external audit of the Council. This appointment poses a threat (actual or perceived) to the independence of the auditor.

In these circumstances we have taken actions to safeguard the independence of the firm and of the auditor, in accordance with the Ethical Standards and the Audit Commission's Standing Guidance. A summary of these safeguards are set out below. We will also disclose this threat and these safeguards in our audit plan and in our audit findings report.

We have discussed these safeguards with the Council's Leader, Chief Executive and Chief Operating Officer. We have also discussed these safeguards with the Audit Commission.

## **Safeguards to mitigate the threat to the independence of the auditor**

- Judith withdrew from the audit team as soon as she advised her interest in applying for the role at the Council and alternative arrangements were put in place to discuss and finalise the Annual Audit Letter and to certify two grant claims. This concluded the 2012-13 audit.
- For the 2013-14 audit all senior members of the team are now replaced by individuals who have not previously worked with Judith. Your new audit team are set out on page 4.
- As an additional safeguard the team are from another Grant Thornton region (Midlands) and are headed up by the Regional Lead Partner for the Midlands - Jon Roberts. Your new audit team also includes Allison Rhodes and Naomi Povey.
- The audit engagement team will not conduct any meetings with Judith without another Council officer being present. This additional safeguard will continue for the next two years.
- In addition we confirm that Judith has no residual financial relationships with the firm.
- These arrangements have been agreed with the Audit Commission.

# Progress at 20 January 2014

Work	Planned date	Complete?	Comments
<p><b>Interim accounts audit</b></p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• undertaking initial work on Value for Money.</li> </ul>	February – March 2014	N	We will discuss and agree a timetable for these key elements of the audit with the Council's management.
<p><b>2013-14 accounts audit plan</b></p> <p>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 2013-14 financial statements. This takes into account the audit findings from our interim accounts audit.</p>	March – April 2014	N	We will prepare an audit plan to report to the March meeting of the Audit and Governance committee.

# Progress at 20 January 2014

Work	Planned date	Complete?	Comments
<p><b>2013-14 final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2013-14 financial statements</li> <li>• proposed opinion on the Council's accounts</li> </ul>	<p>July – September 2014</p>	<p>N</p>	<p>We will discuss and agree a timetable and requirement for the final accounts audit with your finance staff.</p> <p>We will discuss any complex or contentious accounting issues with your finance staff at an early stage.</p>
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2013/14 VfM conclusion considers whether the Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> <li>• securing financial resilience</li> <li>• challenging how it secures economy, efficiency and effectiveness.</li> </ul>	<p>February – June 2014</p>	<p>N</p>	<p>Detailed work will be completed at an early stage of the audit, but then updated to reflect subsequent information on financial or performance matters.</p> <p>The final Value for Money conclusion is issued at the conclusion of the final accounts audit in September.</p> <p>Our work will require a review of the Council's progress in responding to its recent OFSTED report, as well as its progress in planning for its role under the Better Care Fund (previously Integration Transformation Fund).</p>

# Emerging issues and developments

## Local government guidance

### Business rate collection

In April 2013, the government introduced a business rates retention scheme. Local authorities as a whole will now be able to keep half of the business rates income they collect rather than paying it all into the national pool. As business rate income grows, authorities will keep half of the growth.

In October, the Audit Commission published '[Business rates: using data from the VFM profiles October 2013](#)'. This briefing has been drawn from the Commission's Value for Money (VFM) profiles and shows an analysis of English council's collection rates and costs of collecting business rates.

The Audit Commission also highlights the following steps councils could take to maximise business rates:

- supporting existing business to do well and attracting new businesses to the area
- identifying and billing all business properties with a rateable value promptly
- using discretionary relief in an effective way, targeting businesses most in need
- preventing and tackling fraudulent claims for relief
- improving collection rates
- reducing collection costs.

Challenge questions:

- Has your authority reviewed its costs and performance against similar organisations?
- What steps could your authority take to increase the amount it collects from business rates?
- Is an action plan in place?
- Are you satisfied that your authority has made a robust estimate for its provision for business rate appeals?



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

**[grant.thornton.co.uk](http://grant.thornton.co.uk)**