

Audit Committee progress and update report for Carlisle City Council

Year ending 31 March 2017

December 2016

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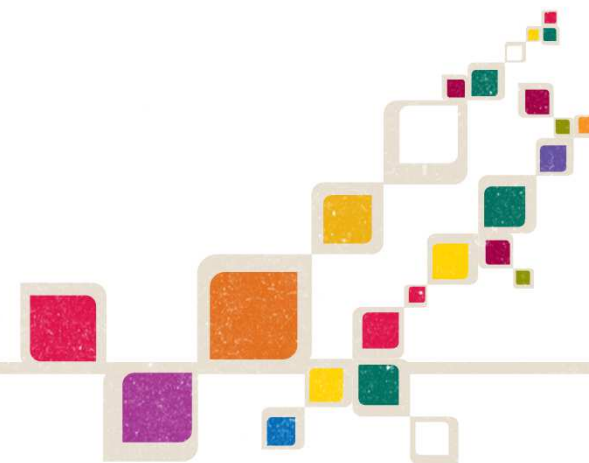
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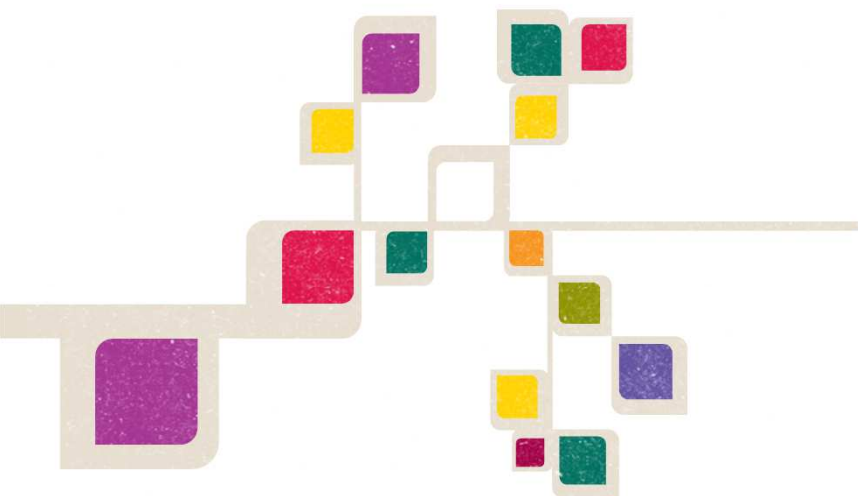
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to 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.



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Introduction

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

Members can find useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector.

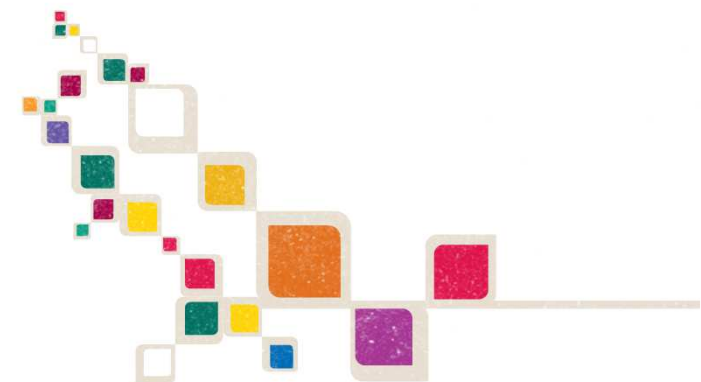
In this update we are providing you with a copy of our latest publications listed below:

- Advancing Closure: Transforming the financial reporting of local authority accounts;
<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>
- Culture of Place: summary of round table discussions and a collection of short videos:
<http://www.grantthornton.co.uk/en/insights/culture-of-place/>

In our last external audit update report we provided you with hard copies and summary information on the publications listed below.

- Better Together: Building a successful joint venture company;
<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>

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 December 2016



Progress against plan

On track



Opinion and VfM conclusion

Issued 27 September 2016



Outputs delivered

Fee letter, Audit Plan, Progress Reports, Audit Findings Report and Annual Audit Letter delivered to plan

2015/16 work

Completed Comments

Audit Findings Report and opinion

Our Audit Findings Report summarises the key findings from the financial statements and value for money conclusion (VfM) work for the year ended 31 March 2016. We were required to report to those charged with governance by 30 September 2016.

September 2016

We issued an Audit Findings Report and presented it at the 27 September 2016 Audit Committee. An unqualified financial statements opinion, an unqualified VfM opinion and closure certificate were issued on 27 September 2016. This concluded the 2015/16 financial statements audit.

Annual Audit Letter

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out for the year ended 31 March 2016. We were required to agree the report with management and provide a copy for all members by 31 October 2016.

October 2016

We issued our Annual Audit Letter on 24 October 2016, with a copy provided to all members on that date. We will present the Letter at the Audit Committee on 22 December 2016.

The Annual Audit Letter confirms that we issued an unqualified financial statements opinion, an unqualified VfM opinion and closure certificate on 27 September 2016.

Housing Benefit Subsidy Claim certification

We are required to certify the Council's Housing Benefit subsidy grant claim for the year ended 31 March 2016 by 30 November 2016.

November 2016

We completed the work on the Housing Benefit Subsidy Claim on 25 November 2016. A qualification letter was required. There are no areas of significance to report to you from the testing performed, but the level of errors to report to the Department of Works and Pensions was higher than in previous years, therefore additional testing was required.

The audit fee for the claim is indicative based upon a level of testing conducted in a base year of 2013/14. The amount of work required in 2015/16 was higher than the base year, so additional audit fee is required as a result of the increased sample testing. We will update the outcome of the fee review in the Annual Certification Letter.

Annual Certification Letter

We are required to summarise the findings of certification work in an annual certification letter by 28 February 2017.

Not yet started

We will issue an Annual Certification Letter and agree it with management before 28 February 2017. We will present the Letter at the next Audit Committee on 16 March 2017. This will include the finalisation of the additional audit fee for the certification of the Housing Benefit Subsidy claim.

Progress at December 2016



Progress against plan
Not yet started



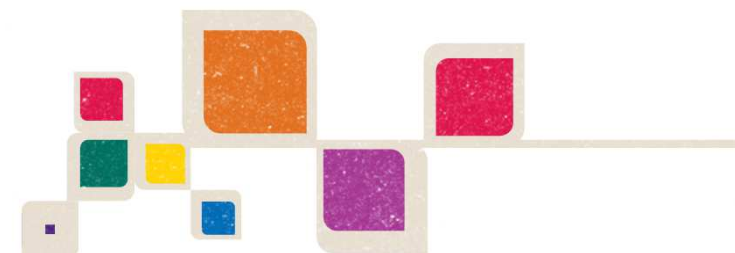
Opinion and VfM conclusion
Not yet started



Outputs delivered
Not yet started

2016/17 work	Completed	Comments
Fee Letter We were required to issue a fee letter for 2016/17 by 30 April 2016.	April 2016	We issued the fee letter for 2016/17 in April 2016, with no change to the scale fee proposed. This was presented to the Audit Committee on 19 April 2016. There is no change in the scope of the areas of audit from 2015/16.
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 2016/17 financial statements.	Not yet started	It is expected that the Accounts Audit Plan for 2016/17 will be presented to the Audit Committee meeting on 16 March 2017.
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 including an IT control environment review; • review of Internal Audit reports on core financial systems; • early work on emerging accounting issues; • early work on the VfM Conclusion; and • early substantive testing. 	Not yet started	We anticipate starting the interim audit in January 2017, with expected completion by March 2017. The findings will be reported in the Audit Plan at the 16 March 2017 Audit Committee. The interim work for 2016/17 includes a cyclical review of the IT environment and specialist IT auditors will be carrying out this work. Meetings with IT staff have already been scheduled during December 2016.
Final accounts audit Including: <ul style="list-style-type: none"> • Audit of the 2016/17 financial statements, and • proposed opinion on the Council's accounts. 	Not yet started	We anticipate the scheduling of work at final accounts to be during June and July 2017. Discussions are on-going with officers for the potential to have an earlier Audit Committee meeting, to be at the end of July 2017 or early in August 2017. A July Committee would be two months ahead of the specified deadlines for 2016/17 of 30 September 2017. In 2017/18 the completion of the audit is required by 31 July 2018, so 2016/17 would be a 'dry run' for the Council and auditors in advance of this significant change in the timing of the audit.

Progress at November 2016



2016/17 work	Completed	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work is set out in the guidance issued by the National Audit Office in November 2016.</p> <p>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".</p> <p>The work required is to assess the overall criteria of; "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".</p> <p>The three sub criterion for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • informed decision making; • sustainable resource deployment; and • working with partners and other third parties. 	Not yet started	<p>We anticipate carrying out this work during the interim stage of the audit, with the final results reported in the Audit Findings Report.</p> <p>Any areas of significant risk and focus will be informed to you in the Audit Plan which we anticipate presenting at the 16 March 2017 Audit Committee.</p>
<p>Annual Audit Letter</p> <p>Our Annual Audit Letter summarises the key findings arising from the work that we have carried out for the year ended 31 March 2017.</p>	Not yet started	We will issue an Annual Audit Letter to the Council in line with specified deadlines after the audit of the 2016/17 financial statements.
<p>Housing Benefit Subsidy claim certification</p> <p>We are required to review and certify the Housing Benefit subsidy claim. The date for certification has not yet been determined, but in previous years the deadline has been by 30 November.</p>	Not yet started	We will complete our work on the Housing Benefit claim in accordance with specified deadlines.
<p>Annual Certification Letter</p> <p>Our Annual Certification Letter summarises the key findings arising from the Housing Benefit Subsidy Claim certification we have carried out for the year ended 31 March 2017.</p>	Not yet started	We will complete our work on the Annual Certification Letter in accordance with specified deadlines.

Accounting and audit issues





Accounting and audit issues

Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2016/17. The main changes to the Code include:

- the requirement for local authorities to report in the Comprehensive Income and Expenditure Statement on the same basis as they are organised and report in the year (ie. no longer following SERCOP). This is accompanied by the introduction of a new Expenditure and Funding Analysis which provides a reconciliation between the way local authorities budget and report during the year and the Comprehensive Income and Expenditure Statement.

Accounting and audit issues

Flexible use of capital receipts

DCLG has issued a [Direction and Statutory Guidance](#) on the flexible use of capital receipts to fund the revenue costs of reform projects. The direction applies from 1 April 2016 to 31 March 2019.

The Direction sets out that expenditure which 'is incurred by the Authorities that is designed to generate on-going revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners' can be treated as capital expenditure.

Capital receipts can only be used from the disposals received in the years in which the flexibility is offered rather than those received in previous years.

Authorities must have regard to the Statutory Guidance when applying the Direction.

Grant Thornton Publications



Advancing closure: the benefits to local authorities

With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. From 2017/18, authorities will need to publish their audited financial statements by 31 July, with Wales seeking to follow a similar approach over the next few years.

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
- high quality financial statements as a result of improved quality assurance arrangements;
- greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;

- improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
- allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.

While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further detail, including:

- enabling sustainable change requires committed leadership underpinned by a culture for success
- efficient and effective systems and processes are essential
- auditors and other external parties need to be on board and kept informed throughout.

Grant Thornton reports

Grant Thornton
An instinct for growth

Advancing closure
Transforming the financial reporting of
local authority accounts

<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>

Culture of Place

Our towns, counties and cities have distinct and varied cultures

Our towns, counties and cities have their own compelling and richly varied cultures. There are shared and sometimes contested values, local traditions, behaviours and drivers for change. Culture evokes memory and identity. It affects how we feel about where we live and work and what's possible. It can be a set of stories describing how we do things around here, bringing out the best in us – like our history and heritage – but also preventing us from moving forward.

With local authorities increasingly adopting a place-shaping role we're exploring how culture impacts on the sector's ability to facilitate and support a vibrant economy.

We have hosted two round tables with local authority CEOs, leaders and others, to consider how local authority leadership needs to change if it is to take local culture into account.

From conversations with local authority CEOs, leaders and others, we have collated a selection of stories that invite us all to think about how the sector can disrupt fixed thinking, open up cultures and energise our places. They go beyond what's immediately obvious, voice what is sometimes unsaid and work with the strengths of their place.

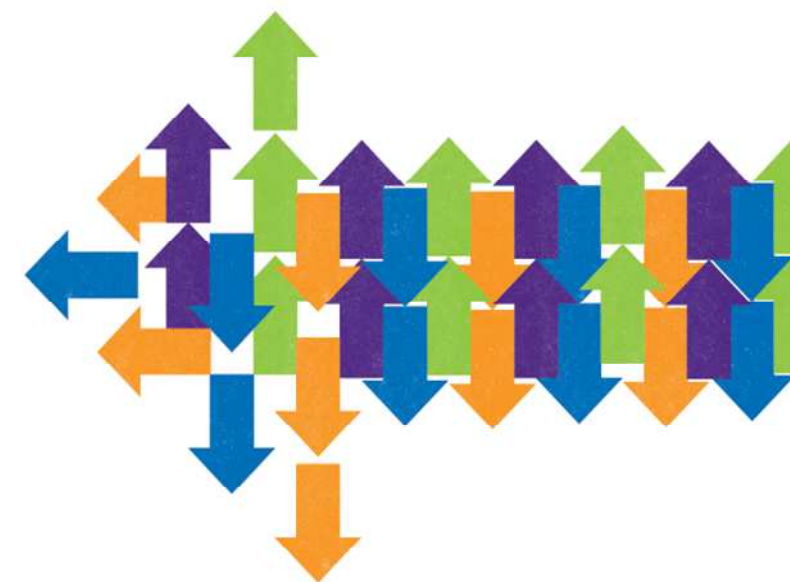
Although the term culture of place is heavily subjective our initial conversations suggest there are some common themes occurring.

- Being clear about what they want to see – there is a strong need to create an environment that gives people permission to care, to be innovative, to take action themselves, to adapt and experiment
- Socio-economic situations often drive the culture – the uniqueness of socio-economic factors leads to a recognition that one place will never be like another – and, in fact, should not aspire to be so - instead tailoring their approach to the areas specific strengths.
- It's all about context – areas within Britain can be local, national and international all at the same time, learning to live with, and get the best advantage from, what's on our doorstep is key.

A copy of the report and a collection of short videos can be found on our website at:

<http://www.granthornton.co.uk/en/insights/culture-of-place/>

Grant Thornton reports





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