

# Audit Committee Update for Calderdale Council

**Year ended 31 March 2015**

16 June 2015

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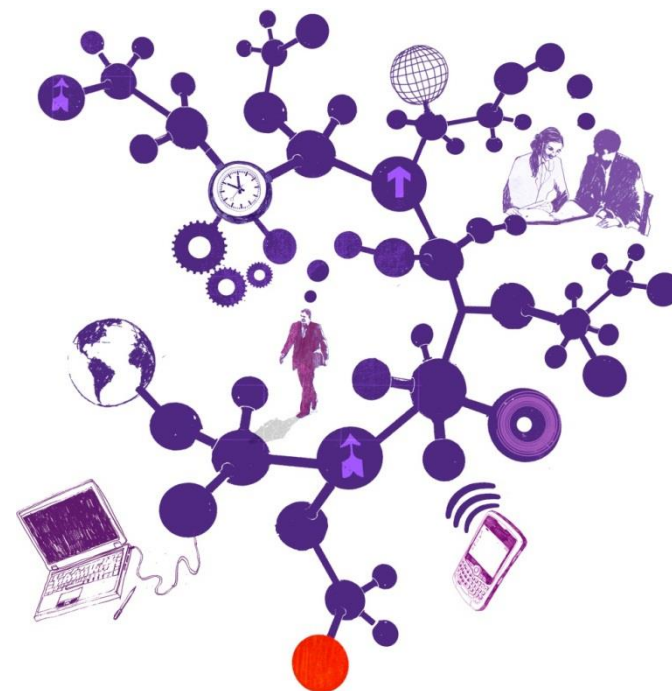
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

Members of the Audit 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 (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Responding to the challenge – Alternative Delivery Models in Local Government
- All Aboard - Maintaining good and effective governance arrangements

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 Mark or Marianne.

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# Progress at 16<sup>th</sup> June 2015

**Progress against plan**

**on track**

**Opinion and VFM conclusion**

**arrangements in place to meet 30 September deadline**

**Outputs delivered**

**Fee letter, Audit Plan and progress reports delivered to plan.**

Work	Planned date	Complete?	Comments
<b>2014-15</b>			
<b>Planning</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.	March 2015	Complete	Our Audit Plan 2014/15 was presented to the previous Audit Committee in March 2015.  Our Audit Plan confirmed the Audit Commission's revised fee scale of £164,555 which takes into account a supplementary fee for audit work on business rates, previously covered by separate grant work.
<b>Interim accounts audit</b> Our interim fieldwork visit includes: <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>• proposed Value for Money conclusion.</li> </ul>	<b>Main interim visit</b>  December 2014 – February 2015  <b>On-going ad hoc work</b>  March – April 2015	Complete	Our interim audit work is now complete. We completed our work on the Council's control environment and performed walkthroughs of the financial systems. This has enabled us to issue our Audit Plan to the March Audit Committee.  We also held regular discussions on accounting issues such as 'accounting for schools' with your finance team.  We have not identified any issues that we need to report to the Audit Committee at this stage.

# Progress at 16<sup>th</sup> June 2015

Work	Planned date	Complete?	Comments
<b>2014-15 final accounts audit</b> Including: <ul style="list-style-type: none"> <li>• audit of the 2014-15 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	June to August 2015	On track	We received the draft financial statements on 1 June 2015, ahead of the 30 June deadline.  We are planning to carry out our audit work on the financial statements within a compact window to maximise efficiency and minimise the impact on finance staff.  We will prepare an Audit Findings Report for presentation to the next Audit Committee
<b>Value for Money (VfM) conclusion</b> The scope of our work to inform the 2014/15 VfM conclusion will consider the arrangements in place at the Council for securing financial resilience and for challenging how the Council secures economy, efficiency and effectiveness.	April to July 2015	On Track	Our Audit Plan sets out the work we have planned to carry out based on our initial risk assessment, and concentrates on: <ul style="list-style-type: none"> <li>• financial resilience;</li> <li>• implementation of savings plans;</li> <li>• developments under the Better Care Fund</li> <li>• Progress on response to the Direction Notice issued by the Secretary of State on the arrangements for Children's Social Services.</li> </ul>
<b>Annual Audit Letter</b> We are required by 31 <sup>st</sup> October 2015, to summarise our work performed at the Council, including the findings from our accounts audit and VFM Conclusion			We will be summarising our 2014-15 audit work in our Annual Audit Letter by 31 <sup>st</sup> October 2015.

# Stronger futures: development of the Local Government Pension Scheme

## Grant Thornton

Our second review on governance in local government pensions scheme (LGPS) funds in England and Wales is based on comprehensive research with pension fund senior officers, supported by insights from pension fund auditors and is available at <http://www.grant-thornton.co.uk/Publications/2015/Stronger-futures-development-of-the-LGPS/>

With the LGPS continuing to face significant change and challenge, there is a clear commitment to ensuring its survival and the provision of affordable pension benefits for the future. Following the implementation of a career average pension scheme in 2014, administering authorities are preparing for significant changes in governance arrangements effective from April 2015.

Some of the key messages from the report are:

- there are increasing strong examples of innovation and increased collaborative working across the LGPS to achieve reduced costs and improved use of specialist skills and knowledge;

- implementation of the career average scheme from April 2014 went well and demonstrated good project management and effective communication with members and employers; and

- there have been several other positive trends across the LGPS since our 2013 review particularly around the widening scope of reporting to Pension Committees including performance reporting, risk management and internal audit reviews.

However, we saw a wide variation in practice, including a concentration of risk reporting on investment risk, over half of funds have not implemented the CIPFA knowledge and skills framework as part of their member training, 45 per cent of Pension Committees do not receive internal audit reports and 15 per cent do not have specific internal audit coverage, and nearly half of funds have no information around the value of their liabilities in between the triennial valuations.

Hard copies of our report are available from your Engagement Lead or Engagement Manager.



Stronger futures:  
development of the LGPS

Improving governance in local government pension schemes  
February 2015



# Developing Local Authority Trading Companies

## Grant Thornton

Austerity has made a significant impact on local government. Our report *'Responding to the challenge: alternative delivery models in local government'* looked at the increased use of alternative delivery models to protect and develop services. This trend has continued over the last year.

Whilst some councils have always had a commercial approach, many traditionally avoided commercial considerations. This is no longer the case.

As councils continue to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures. For many councils, the use of Local Authority Trading Companies (LATCs) is a step towards becoming self-financing.

Over the last five years, we have seen a significant increase in the use of different service delivery models by local government. The introduction of LATCs has been a key part of this innovation. While restricted initially to areas such as entertainment or airports – for example Birmingham's NEC and Manchester Airport – they have grown into new areas such as highways, housing and education.

More recently, LATCs dedicated to the delivery of social care services have emerged.

However, the delivery of a successful company is not easy.

Our report *'Spreading their wings'* is the first in a series looking at alternative service delivery models in more detail. The report provides practical guidance – drawn from interviews with councils and from the successful companies we have worked with – on the steps that need to be followed in:

- deciding to set up a local authority trading company
- setting up a local authority trading company
- building a successful local authority trading company

Copies can be obtained via your Engagement Lead or Audit Manager.



ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

*Spreading their wings*  
Building a successful local  
authority trading company



# Welfare Reform – 'Easing the burden'

## Grant Thornton

Our second welfare reform report, 'Easing the burden', follows on from our initial report 'Reaping the benefits?', to provide insight into the impact of welfare reform on English local authority and social housing organisations over the past two years.

It focuses on: the governance and management arrangements being put in place nationally across the two sectors to deliver reform; the early signs of how successful the reforms have been; and the upcoming issues and risks on the reform agenda in the wider context of social impact.

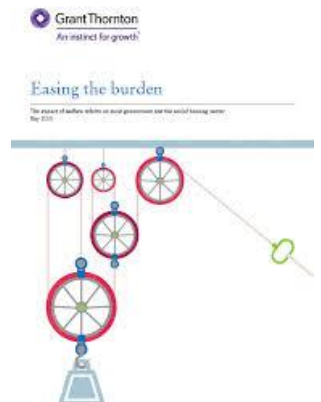
The key findings from our review include:

- The cumulative effect of various welfare reforms is putting a significant financial strain on those needing support
- The majority of local authorities and housing associations surveyed had seen a rise in average council tax and rent arrears since 2012/13
- Local authorities are becoming reliant on Discretionary Housing Payments (DHP) to plug the gap for those unable to pay

Our review makes high level recommendations that local authorities and housing associations should focus on, in particular:

- Understand and optimise the use of innovations in welfare management that have emerged in recent years, including in regard to: the leadership and governance of welfare reform; cross-service co-operation; cross-organisational co-operation; and managed solutions that reduce dependency and equip people to return to work.
- Ensure that partnership working and governance arrangements between local authorities, housing associations and other partners are effective for all parties
- Make sure the long-term social and financial implications of further funding reductions are fully understood and prepared for – particularly in the areas of reduced DHP and hardship funding
- Work with partners to co-ordinate the local housing strategy, including measures to encourage the private rental sector to help provide affordable housing
- Ensure that the potential third sector contribution to filling gaps in local welfare provision is understood fully, including: the limitations of the potential contribution; how this will be coordinated with existing provision; and the additional support that these organisations will require to optimise their role.

Copies can be obtained via your Engagement Lead or Audit Manager.



# Independent Commission into Local Government Finance

## Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system of funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
- Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
- Multi-year financial settlements
- The ability to raise additional revenue through the relaxation of the rules on fees and charges

'Pioneer' authorities would also implement:

- Single placed-based budgets for all public services
- Management of funding equalisation across a sub-national area
- Further council tax reforms including the ability to vary council tax bands and undertake revaluations
- Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
- The establishment of Local Public Accounts Committees to oversee value for money across the placed-base budget.



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