

# West Lancashire Borough Council Audit & Governance Committee Update

---

**Year ended 31 March 2015**

11 June 2015

**Karen Murray**

Director

T 0161 234 6364

E [karen.l.murray@uk.gt.com](mailto:karen.l.murray@uk.gt.com)

**Paul Thompson**

Executive

T 0161 234 6348

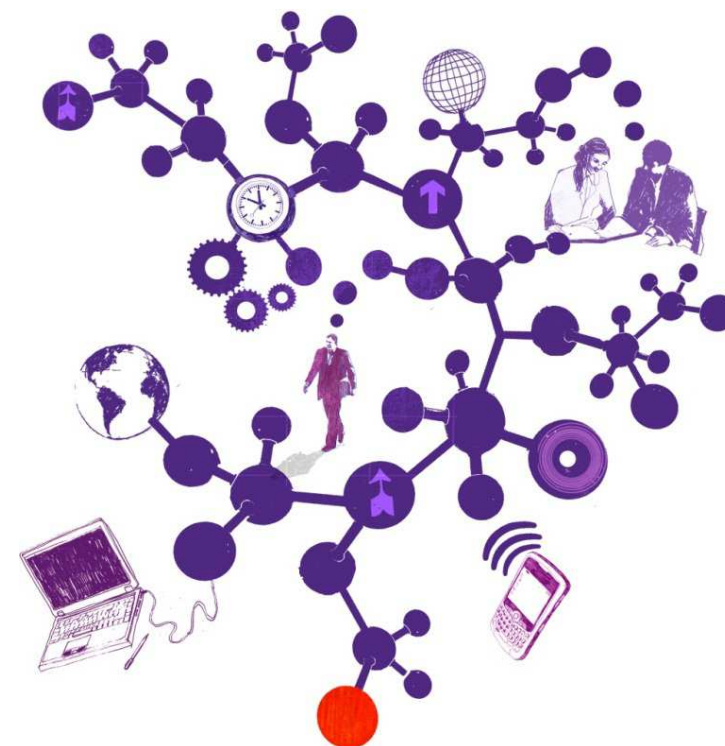
E [paul.a.thompson@uk.gt.com](mailto:paul.a.thompson@uk.gt.com)

**Alex Mason**

In Charge Auditor

T 0151 234 2637

E [alex.mason@uk.gt.com](mailto:alex.mason@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
Progress at June 2015	5
Emerging issues and developments	
Grant Thornton	7
Accounting and audit issues	9

---

# Introduction

This paper provides the Audit & Governance 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; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the 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:

- Stronger futures: development of the local government pension scheme
- Spreading their wings: Building a successful local authority trading 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 Audit Manager.

Karen Murray Engagement Lead T 0161 234 6364 M 07880 456 205 [karen.l.murray@uk.gt.com](mailto:karen.l.murray@uk.gt.com)

Paul Thompson Executive T 0161 234 6348 [paul.a.thompson@uk.gt.com](mailto:paul.a.thompson@uk.gt.com)

# Progress at June 2015

Progress against plan

On track

Opinion and VfM conclusion

All planned to be met

Outputs delivered

Fee Letter, Progress Reports and Audit Plan delivered to plan

Work	Planned date	Complete?	Comments
<p><b>2014-15 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	March 2015	Complete	<p>Our plan highlights the audit risks we have identified from our audit planning and from discussions with officers and sets out our proposed work to address those risks</p> <p>The Audit Plan was presented to the March 2015 Audit and Governance Committee.</p>
<p><b>Interim accounts audit</b> 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>• proposed Value for Money conclusion.</li> </ul>	March 2015	Complete	<p>We have finalised our interim fieldwork and at this stage we do not have any issues that we need to bring to your attention.</p>
<p><b>2014-15 final accounts audit</b> Including:</p> <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>	July 2015	Not yet started	<p>Our Audit Findings Report will be presented to the Audit and Governance Committee as "those charged with governance" in September 2015. It will set out matters arising from our accounts audit.</p>

# Progress at June 2015

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b>            The scope of our work to inform the 2014/15 VfM conclusion comprises:</p> <ul style="list-style-type: none"> <li>• The scope of our work to inform the 2014/15 VfM conclusion comprises the two criteria specified by the Audit Commission:</li> <li>• <b>Securing financial resilience.</b> Focusing on whether the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position for the foreseeable future.</li> <li>• <b>Challenging how it secures economy, efficiency and effectiveness.</b> Focusing on whether the Council is prioritising its resources within tighter budgets and by improving productivity and efficiency.</li> </ul>	<p>March to July 2015</p>	<p>In progress</p>	<p>We have completed our initial risk assessment and are undertaking our planned programme of VfM work to inform the 2014/15 conclusion.</p> <p>We will report our findings with management and the report to the Audit and Governance Committee in September.</p>
<p><b>Other areas of work</b>            We are required to summarise the outcome of our work to certify the Councils 2014/15 grant claims and returns.</p>	<p>September – November 2015</p>	<p>Not yet started</p>	<p>We will prepare a report for the Audit and Governance Committee setting out the findings from our certification of your grant claims.</p>

# Spreading their wings: Building a successful local authority trading company

## Grant Thornton market insight

'Spreading your wings' is the first in a series on alternative delivery models in local government. This report focuses on how to set up a local authority trading company and, importantly, how to make it successful.

The trend in using alternative models to protect and develop services has continued over the last year. As councils continue to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures.

The introduction of LATCs has been a key part of this innovation and we predict that the number will grow in the next five years. While restricted initially to areas such as entertainment or airports – for example Birmingham's NEC and Manchester Airport – LATCs have grown into new areas such as highways, housing and education. More recently, LATCs dedicated to the delivery of social care services have emerged.

We recognise that the delivery of a successful company is not easy. In light of this, this report provides practical guidance 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.

Grant Thornton has worked with many LATCs and continues to support growth in this area. We have based this report on market research, interviews with councils and LATCs, and our own experience of working with LATCs and councils. It is a practical guide drawing on our own experiences but also on the successful companies we have worked with



# Welfare Reform Review: Easing the burden

## Grant Thornton market insight

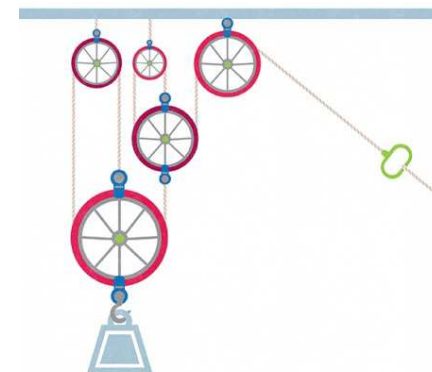
Our second welfare reform report, 'Easing the burden', followed on from 'Reaping the benefits?' to provide insight into the impact of welfare reform on English local authority and social housing organisations over the past two years.

It focused on the governance and management arrangements being put in place in England 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.

### Key messages:

- The cumulative effect of various welfare reforms is putting a significant financial strain on those people needing welfare support
- The majority of local authorities and housing associations surveyed had seen a rise in average council tax and rent arrears since 2012/13, which they attributed at least in part to welfare reform
- There had been limited movement to smaller properties as a result of the spare room subsidy (also known as the bedroom tax) and benefit cap reforms, with generally less than 10% of those affected having moved according to our survey. The shortage of smaller properties for people to move into played a key role in this
- Local authorities are becoming reliant on Discretionary Housing Payments (DHP) to plug the gap for those unable to pay. Ninety-five per cent of local authorities surveyed think that recipients of DHP allocations are either wholly or partly dependent on DHP to avoid homelessness in the longer-term. Any reduction in DHP funding from central government is therefore likely to result in further increases to rent arrears and homelessness in the next two years, unless mitigated by other means
- The withdrawal of ring-fenced hardship funding (formerly the Social Fund) will result in a reduction of provision, as the majority of local authorities told us that they are not in a position to fund this from their own revenue
- Reductions in DHP and hardship funding, in addition to general funding reductions will inhibit the ability of local authorities and housing associations to pursue early intervention policies that avoid people falling into long-term benefit dependency. This will have cost implications for the medium- to long-term.
- The cost of administering housing benefit has risen as a result of welfare reform and now 47% of local authorities and 51% of housing associations surveyed said housing benefit is becoming significantly more costly to administer. This is partly due to the increased complexity of cases

The report 'Easing the burden: The impacts of welfare reform on local government and social housing sector' can be found [on our website](#)





# Earlier closure and audit of accounts

## Accounting and audit issues

Legislation was recently passed to bring forward the deadlines for the preparation and audit of Local Government financial statements from 2017/18 onwards. The timeframes for the preparation of the financial statements and their subsequent audit will be reduced by one month and two months respectively as follows:

- Deadline for preparation of financial statements – 31 May (currently 30 June)
- Deadline for audit completion – 31 July (currently 30 September)

Although July 2018 is over 3 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management.

Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Auditors are already working on bringing forward more testing to before the financial statements are prepared and will be discussing further changes with local authorities including greater use of estimates in the accounts which will enable the audits to be brought forward further.

Some authorities currently produce their financial statements ahead of the current deadline, or have plans to do so in 2014/15, and some audits are completed before 31 July.

We will be assessing how this has been achieved and will share our findings in a national report, expected in early 2016.



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires.

Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

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