

Accounts and Audit Committee progress and update report for Pendle Borough Council

Year ending 31 March 2017

January 2017

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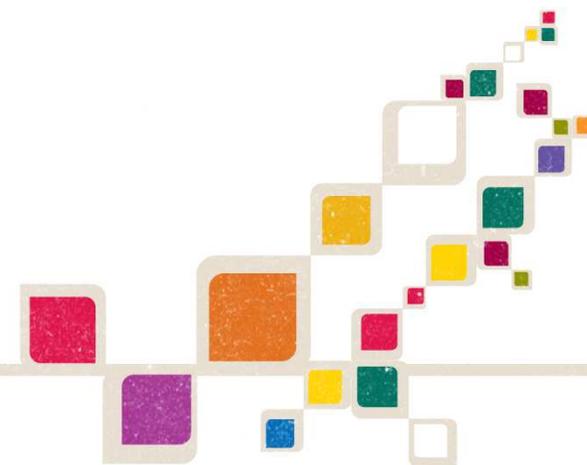
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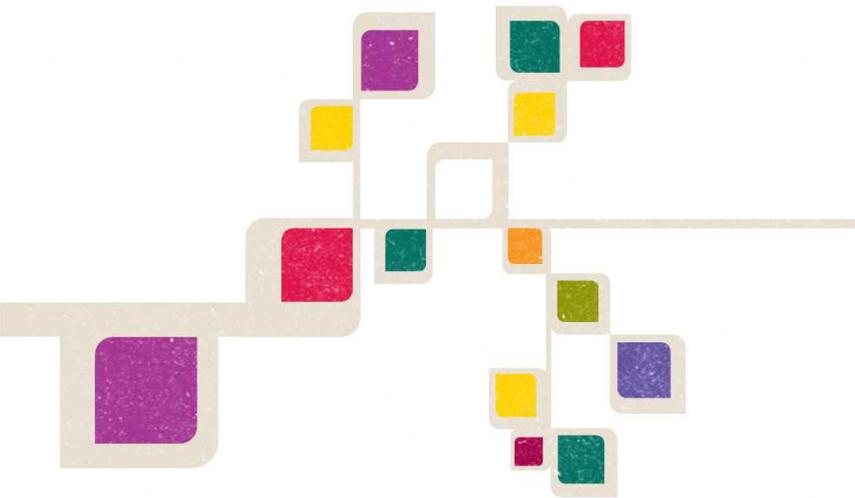
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

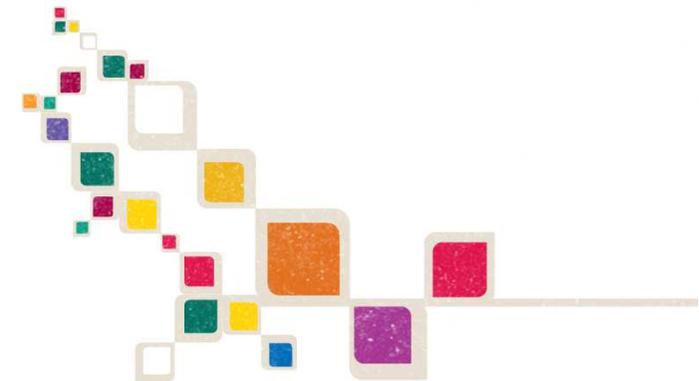
This paper provides the Accounts and Audit Committee and other members with a report on progress in delivering our responsibilities as your external auditors.

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/>

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 17 January 2017



 **Progress against plan**
On track

 **Opinion and VfM conclusion**
Issued 02 August 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.

July 2016

We issued an Audit Findings Report and presented it at the 28 July 2016 Accounts and Audit Committee.

An unqualified financial statements opinion and an unqualified VfM opinion were issued on 02 August 2016. We issued our audit certificate to formally close the audit for 2015/16 on 23 August 2016.

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.

August 2016

We issued our Annual Audit Letter in October 2016. We presented the letter at a meeting of the Council's Executive Committee on 17 November 2016.

The Annual Audit Letter confirms that we issued an unqualified financial statements opinion and a unqualified VfM opinion on the 02 August 2016.

Progress at 17 January 2017



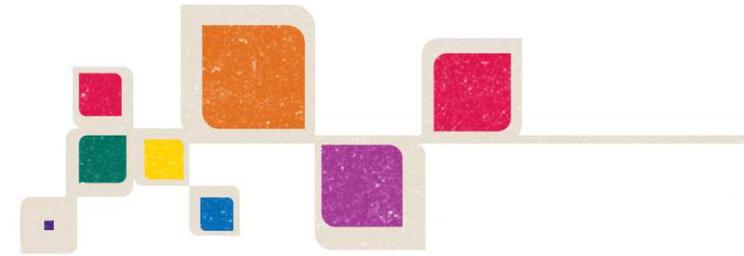
 **Progress against plan**
On track

 **Opinion and VfM conclusion** On track

 **Outputs delivered**
On track

2016/17 work	Completed	Comments
<p>Fee Letter We were required to issue a fee letter for 2016/17 by 30 April 2016.</p>	April 2016	We issued the fee letter for 2016/17 on 7 April 2016, with no change to the scale fee proposed. There is no change in the scope of the areas of audit from 2015/16.
<p>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.</p>	Not yet started	Our Audit Plan for 2016/17 will be presented to the Accounts and Audit Committee meeting in March 2017.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment; • updating our understanding of financial systems ; • reviewing Internal Audit activities and reports on core financial systems; • discussing progress against prior year AFR recommendations • discussing approach to PPE Valuation • confirmation of Group Accounts Assessment • reviewing of proposed accounting treatment for de-recognition of Brierfield Mill Lease • early work on emerging accounting issues; • early work on the VfM Conclusion; and • early substantive testing. 	In progress	Our interim audit started in December 2016 and we expect to complete this part of our work programme in March 2017. Any findings from our work will be reported in the Audit Plan.
<p>Final accounts audit Including:</p> <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 scheduling our work on the Council's statement of accounts for June / July 2017. We intend to conclude our audit by 31 July 2017 in line with the timetable adopted for the 2015/16 audit.

Progress at 17 January 2017



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. 	<p>Not yet started</p>	<p>We will undertake our risk assessment alongside our interim work and will report any areas of significant risk to you in the Audit Plan.</p> <p>Between March and June we will complete any further work required from the risk assessment. We will report the final outcome of our work in our Audit Findings Report.</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>	<p>Not yet started</p>	<p>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>

Accounting and audit issues



Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:

- the cost of services in the CIES is to be reported on basis of the Council's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:

- changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
- other amendments and clarifications to reflect changes in the accounting standards.

Challenge questions:

- What steps has your Financial Services Manager taken to prepare for the changes described above?

Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year.

The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Authorities should be:

- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures.

Challenge questions:

- Does the Council have arrangements in place to review its governance arrangements in line with the updated guidance?

Grant Thornton Publications



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.

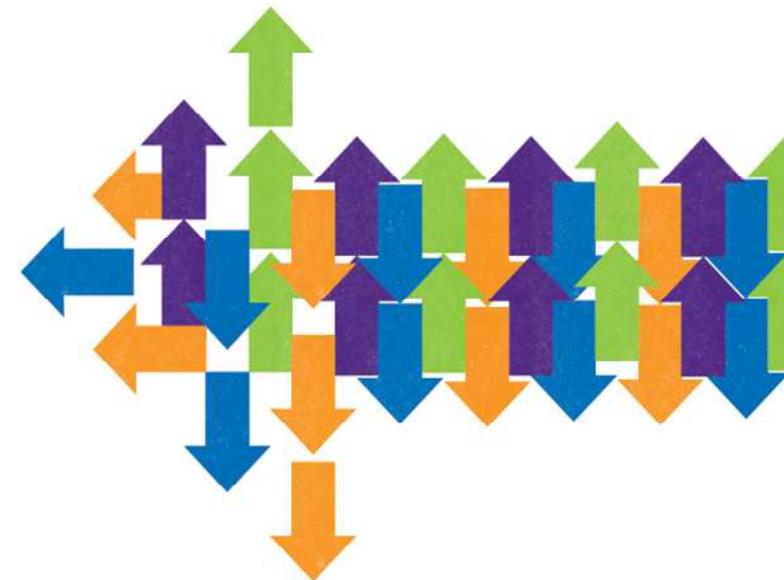
Although the term culture of place is heavily subjective our initial conversations suggest there are some common themes occurring.

- 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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