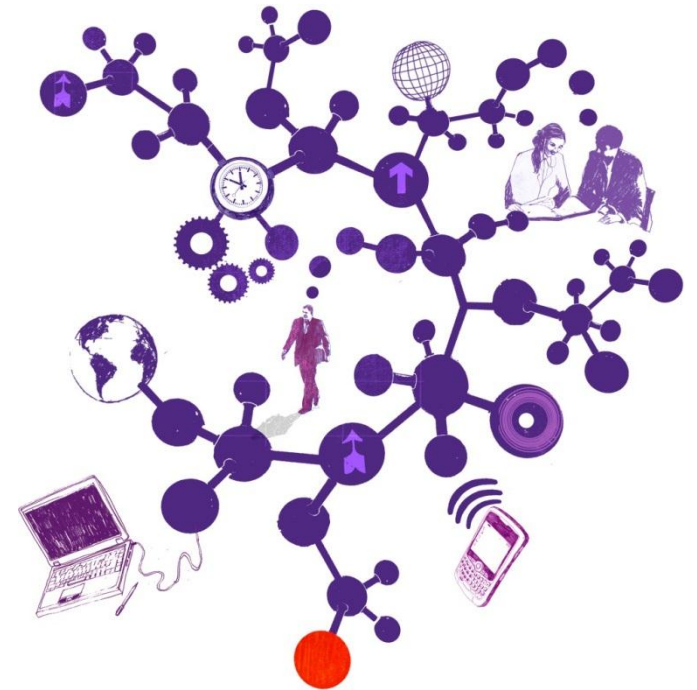


# Audit Committee Update for Bath & North East Somerset Council

May 2013

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# Introduction

This paper provides the Corporate 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 council.

Members of the Corporate 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. Here you can download copies of our publications – 'Towards a tipping point?', 'The migration of public services', 'Local Government Governance Review 2012', '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.

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# Progress at May 2013

Work	Planned date	Complete?	Comments
<p><b>2012-13 Accounts Audit Plan</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 2012-13 financial statements.</p>	<p>May 2013</p>	<p>Yes</p>	<p>Two plans have been issued, one for the audit of the Council and one for the audit of Avon Pension Fund. Both Plans were Issued to officers in April and to the Corporate Audit Committee in May 2013. The Pension Fund Audit Plan will be presented to the next Pension Fund Committee which is in June.</p>
<p><b>Interim accounts audit</b>            Our interim fieldwork visit will include the following:</p> <ul style="list-style-type: none"> <li>• updated review of the Council and Pension Fund's control environment</li> <li>• update 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>• Initial work to support the Value for Money conclusion.</li> </ul>	<p>December to April 2013</p>	<p>Yes</p>	<p>Certain work of necessity has to be left until our visit in the summer to ensure we obtain assurance covering the whole year of audit.</p>
<p><b>2012-13 final accounts audit</b>            Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2012-13 financial statements</li> <li>• proposed opinion on the accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	<p>September 2013</p>		<p>We have agreed working papers with officers and the timing of our visit.</p>

# Progress at May 2013

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2012/13 VFM conclusion comprises:</p> <ul style="list-style-type: none"><li>- Review of the Council's processes for developing savings and financial plans</li><li>- Monitoring progress with economic development projects</li><li>- Review of joint working</li><li>- Monitoring the impact of schools becoming academies</li></ul>	September 2013		We have completed approximately half the work in our programme. We are on track to complete our work in advance of the September deadline.

# Emerging issues and developments

## Accounting and audit issues

### Local government accounts timetable

The key dates in the local government accounts timetable are as follows:

- by 30 June - the responsible financial officer certifies the presentation of the draft statement of accounts
- by 30 September:
  - the responsible financial officer recertifies the presentation of the final statement of accounts before members' approval
  - members approve the statement of accounts
  - the statement of accounts is published, with the audit opinion, certificate and audit report if issued by the auditor.

The key dates for Whole of Government Accounts are:

- by 31 July - submission of unaudited WGA L-Pack by authority
- by 7 October - submission of audited WGA L-Pack by auditor

# Emerging issues and developments

## Accounting and audit issues

### UK Public Sector Internal Audit Standards

From 1 April 2013, the UK Public Sector Internal Audit Standards (PSIAS) are to be used throughout the public sector. The PSIAS are based on existing International Standards for Internal Audit, but have been adapted for use in the public sector.

The objectives of the PSIAS are to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

The key changes are:

- the term 'chief audit executive' is used rather than 'head of internal audit' or 'chief internal auditor'.
- the requirement for an internal audit charter. This must formally define the purpose, authority and responsibility of the internal audit activity, as well as the nature of consulting services and the terms 'board' and 'senior management'. It will also cover arrangements for avoiding conflicts of interest if internal audit carries out any non-audit activities.
- there is no longer a requirement to produce an audit strategy. Instead, a risk-based plan must incorporate or be linked to a strategic or high-level statement which sets out how the internal audit service will be provided and developed in accordance with the charter and how it will link to the organisation's objectives and priorities.
- the chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. This includes internal and external assessments. The QA&IP is designed to assess the efficiency and effectiveness of internal audit as well as identify opportunities for improvement. The chief audit executive will have to include a statement on the results of the QA&IP in an annual report.



# Emerging issues and developments

## Grant Thornton

### Local Government Governance report

In February, we published '[Local Government Governance Review 2013](#)', our second annual review into local government governance. The report is based on:

- survey responses from over 60 council senior officers and members on governance reporting and the supporting processes
- a desk top review of 2011/12 Annual Governance Statements and explanatory forewords for 153 councils, against our best practice checklists based on the CIPFA/SOLACE framework and guidance notes.

Good governance is essential to both council leaders and the public. It supports leaders in making the best decisions, reduces the likelihood of things going wrong and protects them when problems do occur. It inspires confidence in the public that the best decisions are being taken for the right reasons, that the quality of service is protected and that public money is being wisely spent.

The key findings included:

- one third of survey respondents do not consider that council accounts are aimed at the public and the length and technical complexity makes them difficult to understand
- many council Annual Governance Statements follow too rigidly the example text in the CIPFA/SOLACE guidance, rather than reflecting the unique features and challenges of their own organisation
- explanatory forewords are often far from 'explanatory', being hard to read and not aligned to councils' strategic goals
- on-going governance processes and year-end statements are commonly two distinct exercises.
- there is often a lack of understanding within local authorities about what the governance framework is for and how it fits together
- although external alliances are becoming increasingly important in service delivery, 21% of survey respondents are not clear about council roles and responsibilities when working in partnerships.

Grant Thornton can provide you with a bespoke, bench-marked governance review. If you have any queries on governance, talk to your engagement manager to see how Grant Thornton could help.

# Emerging issues and developments

## Local government guidance

### Local Authorities (Health and Wellbeing Boards and Health Scrutiny) Regulations 2013

The [Local Authorities \(Health and Wellbeing Boards and Health Scrutiny\) Regulations 2013](#) have now been published by the Secretary of State for Health. The regulations will allow local authorities to finalise local preparations for health and wellbeing boards and health scrutiny arrangements.

The regulations relating to health and wellbeing boards aim to provide local areas with the flexibility and freedom to shape their health and wellbeing boards as best fits with local circumstances. In particular:

- health and wellbeing boards will be free to establish sub-committees and delegate functions to them
- voting restrictions have been lifted so that non-elected members of a health and wellbeing board (i.e. CCG representative, local Healthwatch, Directors of Public Health, Children's Services and Adult Social Services and any wider members) could vote alongside nominated elected representatives on the board
- political proportionality requirements have also been lifted so that the question of political proportionality of health and wellbeing board membership is left to local determination.

The regulations in relation to health scrutiny make provision for local authorities to review and scrutinise matters relating to the planning, provision and operation of the health service in their area. There are new obligations on NHS bodies, relevant health service providers and local authorities around consultations on substantial developments or variations to services to aid transparency and local agreement on proposals.

In February, the Local Government Association and Association of Democratic Services Officers [jointly published a practical guide](#) to support local authorities in interpreting and implementing the constitutional and governance aspects of the legislation. This includes a summary of key issues for local authorities to consider.

# Emerging issues and developments

## Local government guidance

### Guidance on local authority charging for public health activity

From April 2013 upper tier and unitary local authorities in England will have a new duty under section 2B of the National Health Service Act 2006 to take such steps as they consider appropriate for improving the health of the people in their areas. As a result, they will take on responsibility for a range of public health services previously provided by the NHS.

In February, the Department of Health published [guidance for local authorities](#) on what health improvement activity they can charge for and what services must be free at the point of use.

### New funding reforms for care and support

In February, the Government announced [new funding reforms](#) to ensure that the individuals get the care required without facing unlimited costs. The reforms are based on the recommendations made in 2011 by the Dilnot Commission, an independent panel set up to look at the fairest and most sustainable way to fund care and support in England.

From April 2017, there will be:

- a cap on care costs
- financial protection for those with modest wealth.

From April 2015:

- individuals will not have to sell their home in their lifetime to pay for residential care
- individuals will have clearer entitlements. A national minimum eligibility will make access to care more consistent around the country, and carers will have a legal right to an assessment for care for the first time.



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