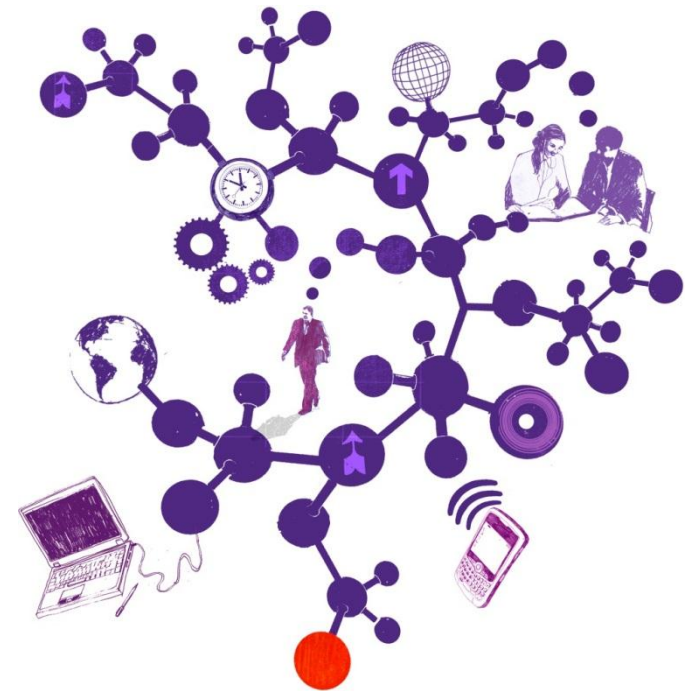


Audit Committee Update for Bath & North East Somerset Council

July 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, 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 2013', '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 July 2013

Work	Planned date	Complete?	Comments
<p>2012-13 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 2012-13 financial statements.</p>	May 2013	Yes	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 was taken to the Pension Fund Committee in June for information.
<p>Interim accounts audit Our interim fieldwork visit will include the following:</p> <ul style="list-style-type: none"> • updated review of the Council and Pension Fund's control environment • update understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • initial work to support the Value for Money conclusion. 	December to April 2013	Yes	<p>We provided an up-date to the May Committee meeting. Our Plan includes only limited work in May and June as officers are busy preparing the accounts.</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. However, since our report in May we have done further work on payroll and there are no issues to report currently.</p>
<p>2012-13 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2012-13 financial statements • proposed opinion on the accounts • proposed Value for Money conclusion. 	September 2013		We have agreed working papers with officers and the timing of our visit.

Progress at May 2013

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

Emerging issues and developments

Accounting and audit issues

LAAP Bulletin 96: Closure of the 2012/13 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued [LAAP Bulletin 96](#). The bulletin provides further guidance and clarification to complement CIPFA's 2012/13 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- a reminder that authorities should tailor CIPFA's example financial statements to meet their own reporting needs in order to give a true and fair view of their own financial position and performance
- the need for billing and precepting authorities to disclose their share of non-domestic rate appeals liabilities that transferred to them on 1 April 2013
- the revised disclosure format for dedicated schools grant
- accounting for carbon reduction commitment (CRC) energy efficiency scheme assets where material
- accounting for the transfer of public health reform in 2013/14.

Accounting for Schools in Local Authorities

CIPFA/LASAAC has issued a [technical alert](#) on accounting for schools. There are no changes planned for the 2013/14 Code. The alert refers to the issues that were consulted on for the 2013/14 Code and draws attention to the need for CIPFA/LASAAC to consider the impact of IFRS 10: 'Consolidated Financial Statements' on school accounting which is due to be adopted in the 2014/15 Code.

The technical alert recommends 'local authorities set out clearly in their 2012/13 and 2013/14 financial statements, in the summary of significant accounting policies, their approach to accounting for maintained schools' income, expenditure, assets, liabilities and reserves. These accounting policies need to be consistently applied throughout the complete set of financial statements'.

Emerging issues and developments

Accounting and audit issues

Code of Practice on Local Authority Accounting in the United Kingdom 2013/14

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2013/14. The main changes to the Code include:

- amendments for the requirements of the localisation of business rates in England
- amendments to how 'other comprehensive income' is presented in the Comprehensive Income and Expenditure Statement. These changes follow the June 2011 amendments to IAS 1 Presentation of Financial Statements.
- amendments to how authorities should account for the cost of employees. This is as a result of the June 2011 amendments to IAS 19 Employee Benefits and include amendments to the classification, recognition, measurement and disclosure of local authority pension costs. This is accounted for as a prior period adjustment which means that the figures for previous years will need to be restated.
- clarifications and improvements of the Code as a result of the CIPFA/LASAAC post-implementation review of IFRS on issues such as:
 - the recognition and measurement of property, plant and equipment – in particular, paragraph 4.1.2.35 of the Code now requires items within a class of property, plant and equipment to be re-valued simultaneously. The Code does permit a class of assets to be re-valued on a rolling basis provided the revaluation is completed within a short period and provided the revaluations are kept up to date.
 - leases and lease-type arrangements (for example where lease rentals are charged at peppercorn rents)
 - service concession (PFI/PPP) arrangements in relation to assets under construction and intangible assets
 - the recognition of non-current assets held for sale.

The Code also notes that guidance on the adoption of IFRS 13 Fair Value accounting and on accounting for schools has been deferred to the 2014/15 Code.

Issues to consider:

- Have the following been consulted:
 - your actuary to ensure you will have the information you need to restate amounts relating to pensions from previous years
 - your valuer to ensure that your revaluation programme complies with the new requirements for property, plant and equipment

Emerging issues and developments

Accounting and audit issues

Internal audit – practice case studies

The NAO and the Institute of Internal Auditors have released a [set of case studies](#), available on the NAO website, illustrating some of the key principles of effective internal auditing, taken from a range of public and private sector organisations (including British Telecom, Department for Work and Pensions, EDF). These cover the following areas:

- applying internal audit resources
- scope of internal audit
- auditing projects
- the relationship with the audit committee
- risk-based internal audit
- evaluating internal audit

Examples of the practical advice these case studies provide are:

- 'ensure that the internal audit function has the right development practices and the right mix of people'
- 'internal audit must check its own performance'
- 'look at the range and depth of assurance that is being provided to management from other assurance providers within the organisation: this will reduce the duplication and free up resources to provide deeper assurance in other areas'
- 'make sure that internal audit's work is aligned to management's view of risk: the function may be focussing on the wrong issues if it does not understand management's risk priorities'
- 'review whether senior management and the business share the same view of risk – highlight where differences occur to ensure that the right risks and controls are targeted in the audit plan'
- 'consider carrying out a benchmarking review with a similar sized organisation in the same industry sector to compare and contrast approaches to internal audit and resourcing'

Emerging issues and developments

Local government guidance

Public Health Local Authorities: Other changes to secondary legislation in force from 1 April

The Department of Health has published [guidance on changes to secondary legislation](#) from the changes to public health functions affecting local authorities. Some of the changes are:

- local authorities, as commissioners of health services, will now be able to make direct payments under pilot schemes for personal health budgets (National Health Service (Direct Payments) Regulations 2010)
- local authorities must charge overseas visitors for relevant services where no exemption from charge applies (National Health Service (Charges to Overseas Visitors) Regulations 2011)
- Clinical Commissioning Group and the NHS Commissioning Board are to be notified of the death of a child in a children's home (Children's Homes Regulations 2001)
- Clinical Commissioning Group and NHS Commissioning Board are to notified of the death of a child accommodated in a residential family centre (Residential Family Centres Regulations 2002)
- local authorities exercising public health functions are under the same obligation as health service bodies to notify the Care Quality Commission of the death of a service user (the Care Quality Commission (Registration) Regulations 2009)
- the death of a child placed in foster care should be reported now to the Clinical Commissioning Group and NHS Commissioning Board (Fostering Services (England) Regulations 2011)
- a local authority body is to instruct an independent mental capacity advocate in certain circumstances where it proposes to provide, or to secure the provision of, serious medical treatment to a person who lacks capacity to consent to the treatment (Mental Capacity Act 2005 (Independent Mental Capacity Advocates) (General) Regulations)
- regulations specify the sets of depersonalised information that relevant authorities (which include local authorities) have a duty to disclose to each other if held by them (Crime and Disorder (Prescribed Information) Regulations)

Emerging issues and developments

Local government guidance

Openness and transparency on personal interests - A guide for councillors

In March, DCLG published ['Openness and transparency on personal interests - A guide for councillors'](#).

This guide provides guidance to councillors about how to be open and transparent about their personal interests now that new standards arrangements have been introduced by the Localism Act 2011.



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