

Audit Committee Progress Report and Update Mid Devon District Council Year ended 31 March 2017

30 May 2017

Geraldine Daly

Engagement Lead

T 0117 305 7741

E geri.n.daly@uk.gt.com

Steve Johnson

Audit Manager

T 0117 057 868

E steve.p.johnson@uk.gt.com

Victoria Redler

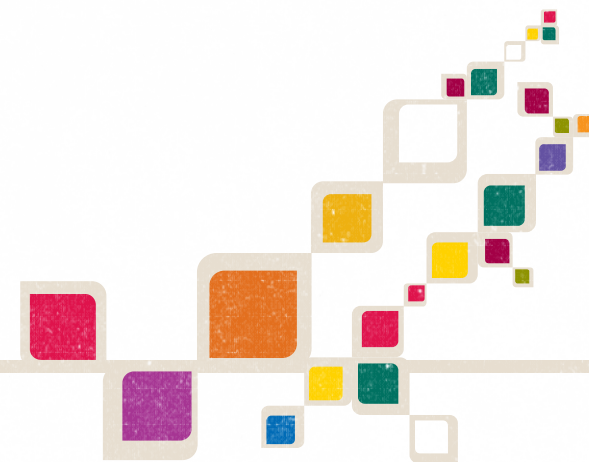
Executive

T 0117 305 7741

E victoria.j.redler@uk.gt.com



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Introduction

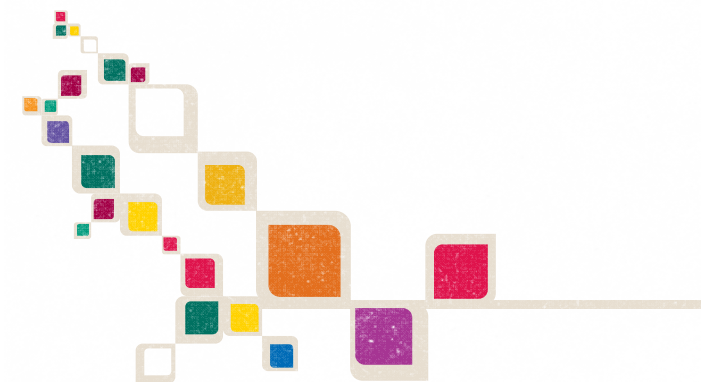
This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the 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 past publications:

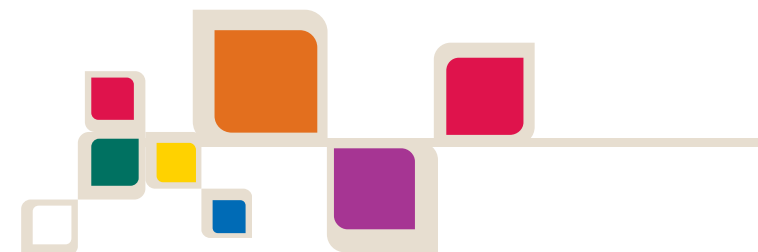
- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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.

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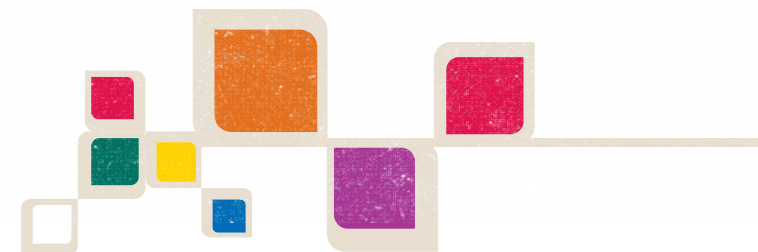


Progress at May 2017



2016/17 work	Planned Date	Complete?	Comments
Fee Letter We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016	April 2016	Yes	The 2016/17 fee letter was issued on 18 April 2016 and considered by the 31 May 2016 committee.
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.	21 March 2017	Yes	The Audit plan was presented at the March Audit Committee.
Interim accounts audit Our interim fieldwork visit plan included: <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	February 2017	Yes	<p>Our interim audit was completed in the three weeks ending 3rd March 2017.</p> <p>We have undertaken all the required planning and preparation, together with such early testing we deemed efficient.</p> <p>The work included early discussions over the accounting treatment of the Council's planned property transactions, in particular the Premier Inn acquisition of land.</p>
Final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2016/17 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	To commence 30 May 2017	No	<p>Not yet started.</p> <p>The council's special Audit Committee is set for Monday 17th July. In order that we can sign the audit opinion on that date, the period for Public Inspection will need to commence on the 5th June (30 working days ahead of signing). MDDC will need to put on their website by midnight on Sunday 4th June.</p>

Progress at May 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. 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 guidance confirmed the overall criterion as; "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 criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	<p>Initial risk assessment completed 3rd March 2017</p> <p>Conclusion will be given 17 July 2017</p>	No	<p>We have identified one risk.</p> <p>The Council is forecasting an overspend of £64k for 2016/17; a budget for 2016/17 that is balanced using £89k of New Homes Bonus, and whose future is uncertain as the preliminary grant settlement shows the elimination of Revenue Support Grant by 2019/20. The MTFP shows a deficit of £419k in 17/18 which increases annually, peaking at £975k in 2020/21. Without any action the General Fund reserve of £2.2m would become overdrawn by £1.25m over the life of the plan.</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.</p> <p>We will include our conclusion in our auditor's report on your financial statements which we will give on 17 July 2017.</p>
<p>Grant claims and certification.</p> <p>We anticipate that we will be required to certify the Council's 2015/16 Housing benefit and council tax subsidy claim.</p>	June 2017 to November 2017.	Not yet due	The work on the 2016/17 claim will be completed by 30 November 2017.
<p>Other areas of work</p> <p>Audit of:</p> <ul style="list-style-type: none"> • Pooling of Housing capital receipts claim • Housing & Communities agency claim 	October 2017	No	Not yet started
Meetings with Members, Officers and others	On-going	No	Regular meetings arranged with Officers.

Technical Matters



Sector issues and developments



Local authority accounts – a guide to your rights

In addition to his statutory duties and powers in respect of the Code of Audit Practice and guidance to auditors, the Comptroller and Auditor General has agreed to maintain and publish Local authority accounts – a guide to your rights

This document provides information on how people can ask questions and raise objections about the accounts of their local authority

<https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights>

LAAP BULLETIN 105 Closure of the 2016/17 Accounts and Related matters

This bulletin covers the closure of accounts and related matters for the 2016/17 year and provides further guidance and clarification to complement the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners* (Code Guidance Notes). It addresses frequently asked questions, and other issues that have arisen since the publication of the Code Guidance Notes.

The bulletin focuses on those areas that are expected to be relevant for most authorities. It is not intended to replace authorities' processes for identifying issues, but to complement them.

In addition, the bulletin addresses matters that will generally be applicable to authorities across England, Wales, Scotland and Northern Ireland.

Grant Thornton



The Board: creating and protecting value

Our new cross sector Board Effectiveness Report

In all sectors, boards are increasingly coming under pressure from both the market and regulators in terms of effectiveness and accountability. Building on the success of our cross sector audit committee effectiveness survey- Knowing The Ropes, the Grant Thornton Governance Institute extended its research to look at the effectiveness of boards across the corporate, public and not for profit sectors.

This report raise key questions that all boards should ask themselves to challenge their effectiveness. Their organisations may operate in different sectors and be subject to a variety of statutory and governance requirements, but they all share a common overriding principle: the governing body is a collective charged with developing the organisation's purpose.

Key messages:

- There is a strong future focus on boards
- Executive behaviours tend to dominate - not the best scenario for good governance or an organisation's future focus
- There are strongly held opinions about the relationship between the board and the executive which will impact on efficiency
- More than 88% of respondents see their executives as being strong leaders of the organisation
- There is a clear focus on organisational culture and values across all sectors – 93% see the executive board members modelling the values of the organisation
- Non-executives also need to live and breathe those values – only 82% of respondents agreed that the non-executives inspire and guide the executive to realise the organisation's purpose
- Only 75% of respondents feel that the recruitment process of non-executives is rigorous, well-documented or transparent
- Over 60% of board members believe that are adequate processes in place to evaluate performance

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance. This framework allows organisations to have a better understanding about where they are focusing their energies.

Download the report here: <http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/>

Grant Thornton reports

Challenge question:

Are you familiar with this report?

The income spectrum

Helping local authorities to achieve revenue and strategic objectives to create a vibrant economies

Grant Thornton market insight

Income generation is increasingly an essential part of the solution to providing sustainable local services, alongside managing demand reduction and cost efficiency. Our report gives local authorities the tools needed to maximise their ability to do so.

Our new research on income generation which includes our CFO Insights too suggests that:

- councils are increasingly using income generation to diversify their funding base, and are commercialising in a variety of ways. This ranges from fees and charges (household garden waste, car parking, private use of public spaces), asset management (utilities, personnel, advertising, wifi concession license) and company spin-offs (housing, energy, local challenger banks), through to treasury investments (real estate development, solar farms, equity investment).
- the ideal scenario to commercialise is investing to earn with a financial and social return. Councils are now striving to generate income in way which achieves multiple strategic outcomes for the same spend; examining options to balance budgets while simultaneously boosting growth, supporting vulnerable communities and protecting the environment.
- stronger commercialisation offers real potential for councils to meet revenue and strategic challenges for 2020 onwards. Whilst there are examples of good practice and innovation, this opportunity is not being fully exploited across the sector due to an absence of a holistic and integrated approach to corporate strategy development (a common vision for success, understanding current performance, selecting appropriate new opportunities, the capacity and culture to deliver change).

To support local authorities as they develop income generation strategies, the report provides:

- case study examples
- local authority spend analysis
- examples of innovative financial mechanisms
- critical success factors to consider





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