

Joint Audit Committee Update for Shropshire Council

Progress Report and Update Year ended 31 March 2016

June 2016

Mark Stocks

Partner and Engagement Lead

T 0121 232 5437

E mark.c.stocks@uk.gt.com

Emily Mayne

Manager

T 0121 232 5309

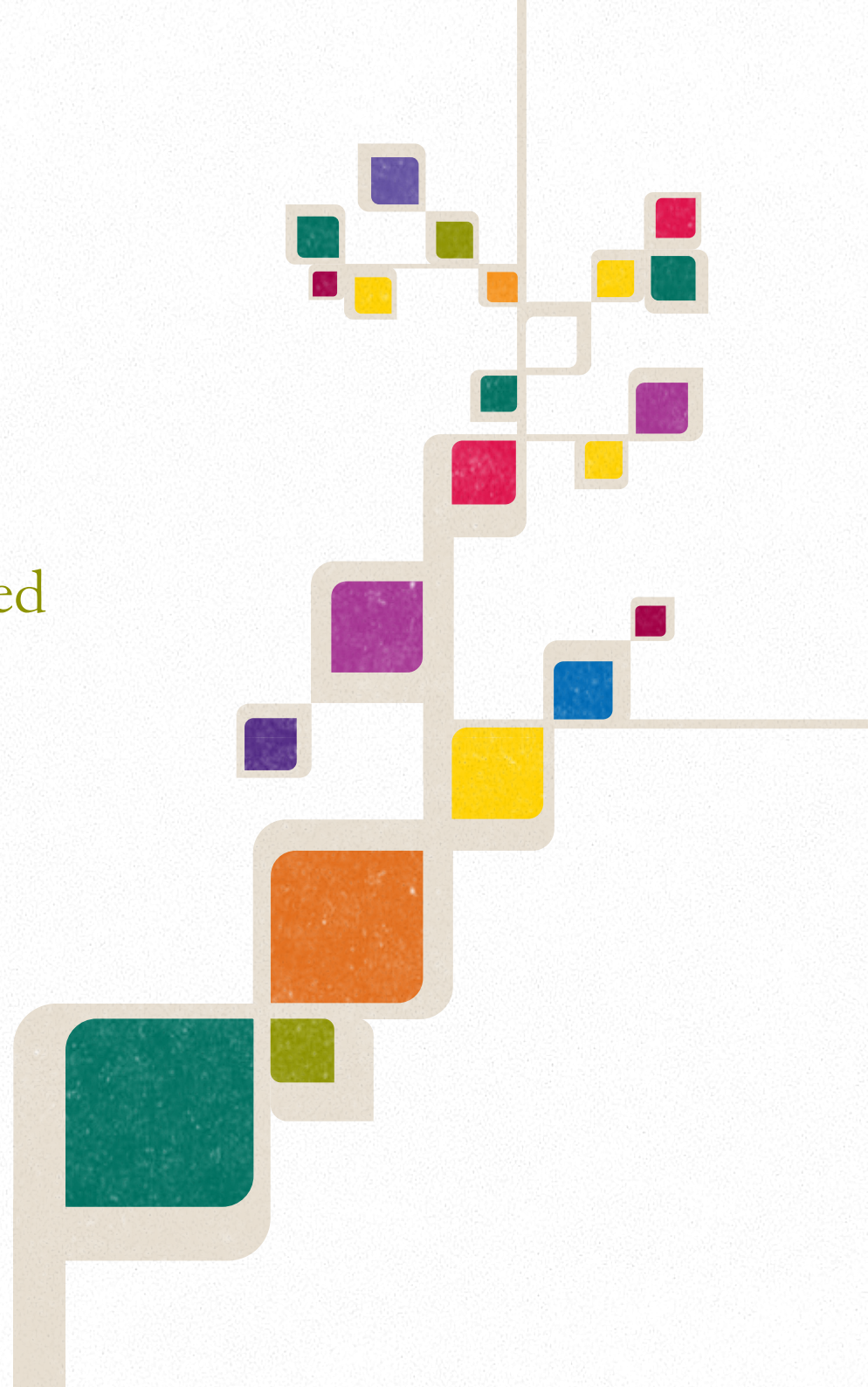
E emily.j.mayne@uk.gt.com

Kieran Armitage

Executive

T 0121 232 5422

E kieran.armitage@uk.gt.com



Introduction

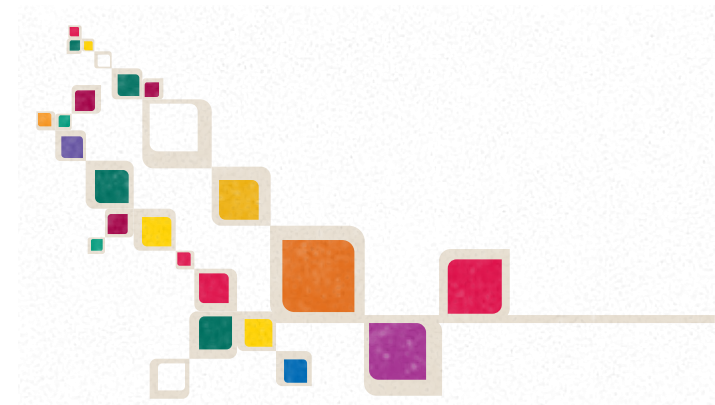
This paper provides the Joint Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Joint 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:

- Better Together: Building a successful joint venture company; <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/

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.

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.



Progress to date



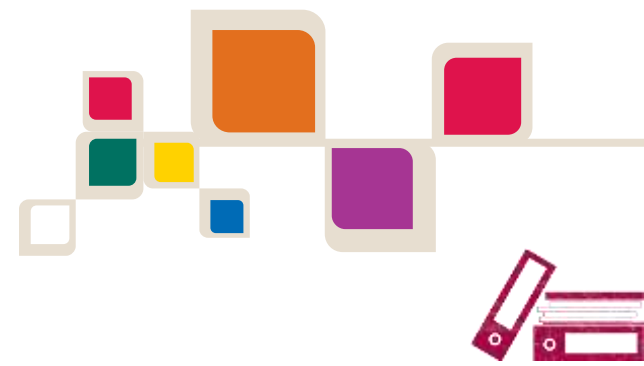
Progress against plan

On track



Opinion and VfM conclusion

Plan to give before deadline of 30 September 2016

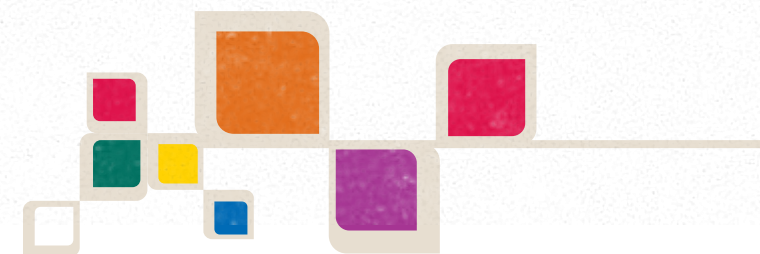


Outputs delivered

Fee letter, Progress Reports, and interim audit delivered to plan

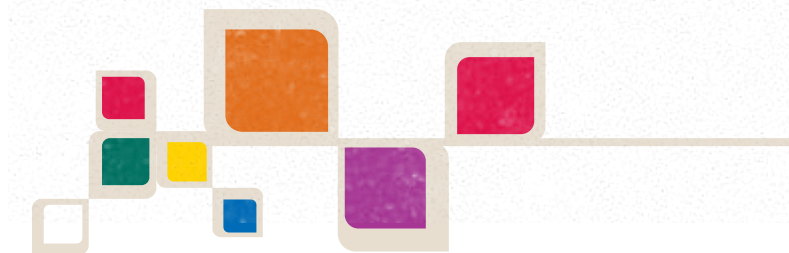
2015/16 work	Planned Date	Complete?	Comments
<p>Fee Letter</p> <p>We are required to issue a 'Planned fee letter' for 2015/16 to the Council by the end of April 2015.</p>	April 2015	Yes	The 2015/16 fee letter was issued in April 2015
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan covering the audit for the Council setting out our proposed approach in order to give an opinion on the financial statements, including the group consolidations in 2015/16.</p>	March 2016	Yes	<p>We continue to assess the risks facing you and meet with Senior Officers to ensure that these risks are fully understood and our audit work is appropriate.</p> <p>If there are any changes to our plan between our initial risk assessment and the delivery of our opinion we will discuss this with the appropriate Senior Officers and agree with the Head of Finance, Governance and Assurance.</p>
<p>Interim accounts audit</p> <p>Our interim fieldwork visits covers work on the Council's arrangements, including:</p> <ul style="list-style-type: none"> • updating our review of the control environments • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion work. 	January – April 2016	Yes	<p>We have:</p> <ul style="list-style-type: none"> • engaged with the finance team to streamline and improve the audit approach for 2015/16 where possible • Discussed technical issues early, including the accounting for Highways Network Assets • Undertaken as much early testing as possible. <p>We continue to work closely with Internal Audit in relation to risk, work on the financial statements and fraud.</p>

Progress to date



2015/16 work	Planned Date	Complete?	Comments
Final accounts audit			
<p>Covering the Council's group financial statements, we will:</p> <ul style="list-style-type: none"> audit the 2015/16 financial statements proposed opinion on the 2015/16 financial statements 	June – September 2016	In progress	<p>We will undertake work on your draft financial statements to provide an opinion by the statutory deadline. We are planning to complete our audit by 31st August, as part of the transition to the earlier closedown and audit cycle from 2017.</p>
Value for Money (VfM) conclusion			
<p>The scope of our work to inform the 2015/16 VfM Conclusion requires conclusions on whether:</p> <p><i>"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".</i></p> <p>This change of guidance was issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</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 	February – July 2016	In progress	<p>We have considered the potential significant risks for our VfM conclusion and identified the following issues as reported to the June Audit Committee.</p> <ul style="list-style-type: none"> Medium term financial resilience / strategic development Governance Service delivery Adult Social Care <p>Our work on the VfM Conclusion will include attending meeting with key Senior Officers and key document reviews. We are aiming to deliver this work ahead of the national timescales as a move towards the faster close from 2017.</p> <p>As part of this work we will also follow up progress against last year's issues.</p>
Annual Audit Letter			
<p>We will summarise all the work completed as part of our 2015/16 audit within one letter which will be issued after the opinion.</p>	October 2016	Not started	

Progress to date



2015/16 work	Planned Date	Complete?	Comments
<p>Grant work (PSAA regime)</p> <p>We plan to certify the Housing Benefits Subsidy Claim 2015/16 (BEN01)</p>	February – November 2016	In progress	<p>We will not prepare a Certification Plan on the basis that there is only one claim now under the PSAA regime and the fee is communicated via the annual fee letter.</p> <p>Progress will be reported through this update report at each meeting and we will report our conclusions to you once completed.</p>
<p>Engagement with you since the last Audit Committee meeting</p>	On-going	On-going	<ul style="list-style-type: none"> • Updates with the Head of Internal Audit to ensure we are aware of progress on key issues. • Discussions between our advisory colleagues and the Chief Executive and Head of Finance, Governance and Assurance on a suite of services we could offer. • Discussions with Senior officers as part of our VFM risk assessment process. • Circulation of our latest collateral to Senior officers.

Value for Money

Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out below:

Risk assessment

We have completed our initial risk assessment based on the NAO's guidance. In our initial risk assessment, we have considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies where appropriate.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We are now in a position to report our risk assessment which drives our planned work for 2015/16 to meet our duties in respect of the VfM conclusion. This includes any significant risks identified, along with details of the work we plan to carry out to address these risks.

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> • Acting in the public interest, through demonstrating and applying the principles and values of good governance • Understanding and using appropriate cost and performance information to support informed decision making and performance management • Reliable and timely financial reporting that supports the delivery of strategic priorities • Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> • Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions • Managing assets effectively to support the delivery of strategic priorities • Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> • Working with third parties effectively to deliver strategic priorities • Commissioning services effectively to support the delivery of strategic priorities • Procuring supplies and services effectively to support the delivery of strategic priorities.

Reporting

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.

We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p>Medium term financial resilience / strategic development</p> <p>The Council has historically managed its finances well, achieving financial targets and is on course to deliver its 2015/16 budget. Nevertheless the scale of funding cuts and the pace of change for Local Government will effect future financial plans, particularly following announcements from the Comprehensive Spending Review, Autumn Statement 2015 and then more recently the provisional Local Government Finance Settlement 2016/17 published in December 2015.</p> <p>The Council has identified that it needs to regularly monitor and review delivery against the Council’s Business Plan and Financial Strategy and adjust plans as required at Director and Cabinet levels to achieve a balanced budget. This will include ensuring that supporting strategies, such as ICT and Workforce development align closely.</p>	<p>This links to the Council's arrangements for:</p> <ul style="list-style-type: none"> • planning finances effectively to support the sustainable delivery of strategic priorities • for using appropriate cost and performance information to support informed decision making • managing risks effectively and maintaining a sound system of internal control • demonstrating and applying the principles and values of good governance, and • planning, organising and developing the workforce effectively to deliver strategic priorities. 	<p>We will review the Council's arrangements for identifying, agreeing and monitoring its financial sustainability and any impact on operational plans. We will also review how key findings are communicated to the Cabinet and Audit Committee.</p> <p>We will review the Council's updated medium term financial plan and monthly financial monitoring reports and assess the assumptions used.</p>
<p>Governance</p> <p>The Council's governance structure is embedding following a further period of change. The pace of change has been driven by the timetable of reduced Government funding, changes with ip&e, the focus on becoming a commissioning council, and the recent change in the Council leader.</p>	<p>This links to the Council's arrangements for:</p> <ul style="list-style-type: none"> • managing risks effectively and maintaining a sound system of internal control • demonstrating and applying the principles and values of good governance • planning, organising and developing the workforce effectively to deliver strategic priorities. • working effectively with third parties to deliver strategic priorities. 	<p>We will review the effectiveness of governance arrangements in place following the recent changes at the Council.</p> <p>We will also explore how the Council's governance arrangement are supporting the strategic aim to be a commissioning Council.</p>

Value for money (continued)

Significant risk	Link to sub-criteria	Work proposed to address
<p>Service Delivery</p> <p>The Council had started to roll out a service redesign methodology throughout its services, particularly in areas of high spend such as Adult Social Care. This methodology will be a key mechanism in co-ordinating change projects and developing a 'commissioning solution'. There needs to be consideration of where the current strategy lies and where the focus for resource deployment sits.</p>	<p>This links to the Council's arrangements for:</p> <ul style="list-style-type: none"> managing risks effectively and maintaining a sound system of internal control, demonstrating and applying the principles and values of good governance, and planning, organising and developing the workforce effectively to deliver strategic priorities. 	<p>We will review the Council's arrangements for identifying, agreeing and monitoring the redesign of its services, and for communicating key findings to the Cabinet and Audit Committee.</p>
<p>Adult Social Care</p> <p>The Council is working in a challenged health and social care economy. The Sustainability and Transformation Plan for the area shows a significant deficit going forward. In particular, both Shropshire CCG and Shrewsbury and Telford Hospitals NHS Trust incurred significant deficits in 2015/16 and are projecting deficits in 2016/17. The recent Strategic Outline Business Case for healthcare was rejected by Shropshire CCG governing body.</p> <p>Adult Social Care services in Shropshire has been subject to West Midlands peer reviews and the feedback was positive and the transformation described as innovative. While the transformation is positive there is a projected £4.8 million overspend in Adult Social Care in 2015/16. To inform how the financial risks are mitigated the Council is undertaking financial and demand modelling based on national models developed as part of the Care Act Implementation work, and local surveys with care providers to determine the number of residents and users who fund their own care.</p> <p>The Council is seeking to deliver wide ranging changes and greater integration to ensure the financial sustainability of adult health and social care services through its transformation agenda and through working with partners in health and the voluntary sector.</p>	<p>This links to the Council's arrangements for:</p> <ul style="list-style-type: none"> working effectively with third parties to deliver strategic priorities, and managing risks effectively and maintaining a sound system of internal control. 	<p>We will review how the Council is developing partnership working to support the delivery effective delivery of adult social care.</p> <p>We will assess how the Council is working with its health partners to deliver the Sustainability and Transformation Plan.</p>

Local Government Sector Accounting and other issues



Fighting Fraud and Corruption Locally

CIPFA publication

Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>



Grant Thornton Publications



Better together

Building a successful joint venture company

Grant Thornton market insight

Local government is continuing to innovate as it looks for ways to protect front line services. The changes are picking up pace as more local government bodies introduce alternative delivery models to generate additional income and savings. While these new models are not a solution by themselves, they do add to the wider solutions being explored by local government such as devolution, collaboration and integration.

Joint Ventures (JVs) have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges. The report also provides advice and information about the key areas to consider when deciding to set up a JV, setting it up and making it successful.

Key findings from the report:

- **JVs continue to be a viable option** – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- **There is reason to be cautious** – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- **There is a new breed of JVs between public sector bodies** – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture



Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton reports

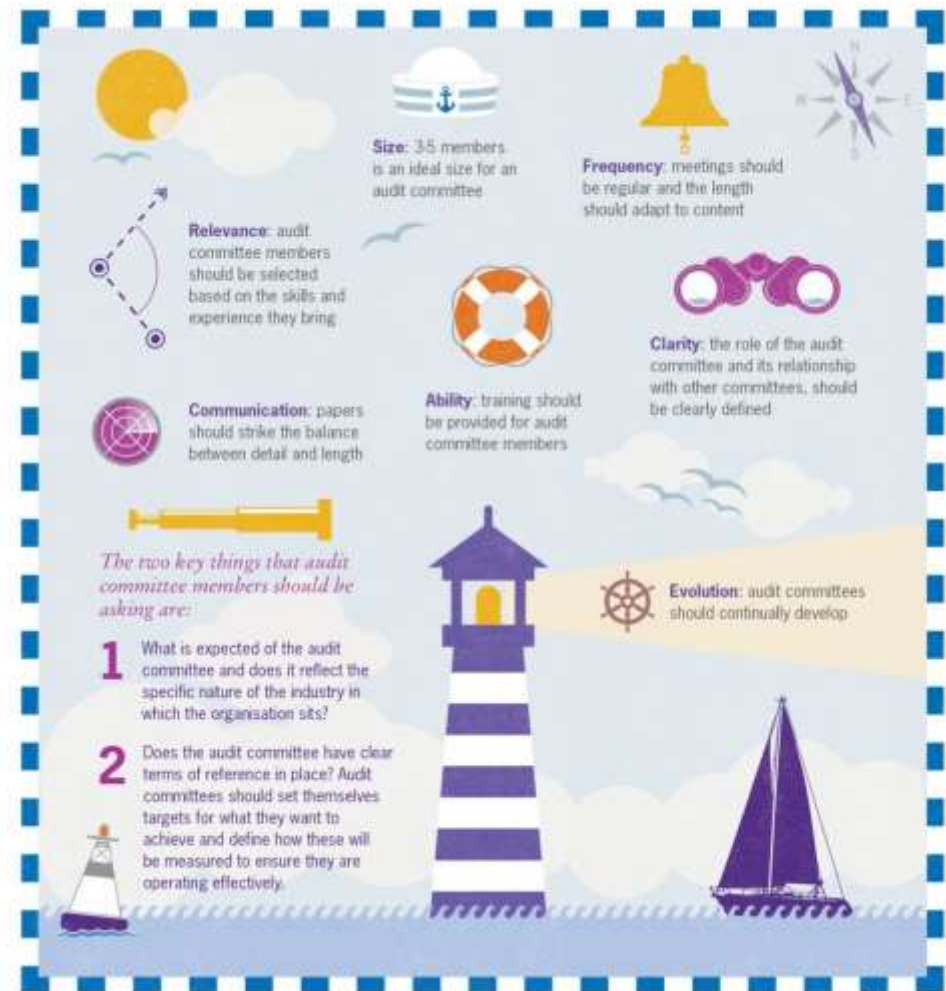
We have published our first cross-sector review of Audit Committee effectiveness encompassing the corporate, not for profit and public sectors.

It provides insight into the ways in which audit committees can create an effective role within an organisation’s governance structure and understand how they are perceived more widely. The report is structured into four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

The detailed report is available here

<http://www.grantthornton.co.uk/en/insights/knowning-the-ropes-audit-committee-effectiveness-review-2015/>



Joining up the dots, not picking up the pieces

Partnership working in mental health

Summary report of our mental health collaboration summit

Mental ill health costs the economy over £100 million each year and affects one in four people. However, responding to issues related to an underlying mental illness does not solely sit within the remit of health professionals. With many parts of the public sector needing to respond, and each facing significant financial pressures, collaboration around this issue is essential to provide high quality care and make savings to the wider public purse.

This paper draws together examples of successful collaboration between public services and feedback from a Midlands round table discussion – where the West Midlands Combined Authority has set up a mental health commission – to look at how different services have overcome some of the traditional barriers and demarcation lines between organisations.

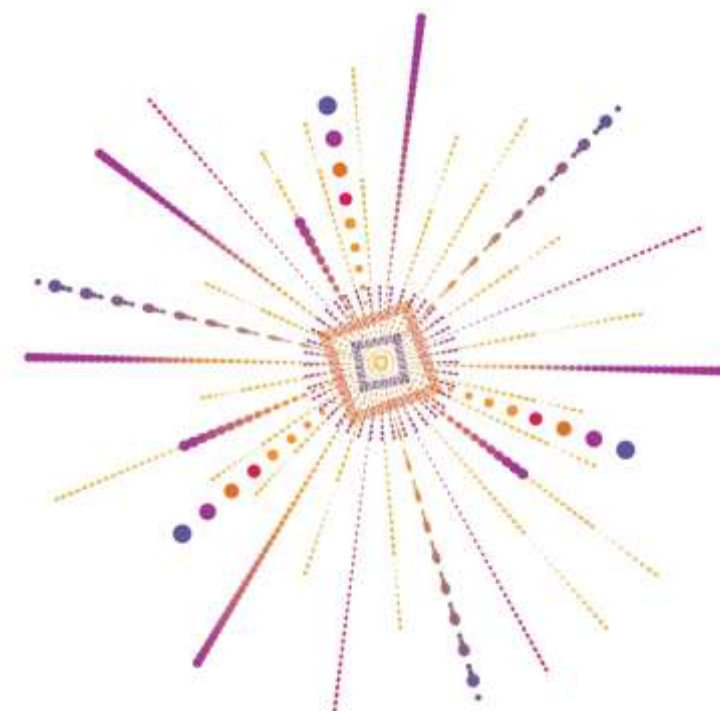
The key messages are:

- The unpredictable nature of mental health symptoms can mean that the first point of contact is via emergency services, with ambulance, fire and rescue or police officers being present. The cost of services not being available at the right place at the right time can be huge, in terms of the personal suffering of individuals and costs to the wider system
- Often relatively modest amounts of money targeted at specific initiatives such as street triage or community cafes can make a huge difference in improving the availability of important services
- An impact can be made without the need for expensive structural change. Most importantly, it requires a genuine approach to collaboration and a culture of putting the patient first
- Investing in collaborative initiatives focussing on the needs of mental health patients were undoubtedly resulting in savings elsewhere to the public purse. Examples include:
 - 92% reduction in detentions under section 136 of the Mental Health Act in Cheshire and Wirral; 50% reduction in Birmingham and Solihull; 39% in Nottinghamshire; 30% in Kent
 - 647 A&E attendances avoided by one street triage team in one year in Birmingham and Solihull
 - 80% remission in psychosis through early intervention in Derbyshire
 - 25% of unemployed users of the café run by the Manchester Mind Young Adults Services and Projects team have gone on to find employment.

Grant Thornton reports

Challenge question:

Is the trust familiar with this report?





© 2016 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grantthornton.co.uk

GRT102468