



Shropshire Council

# Audit Committee Training - VFM Conclusion

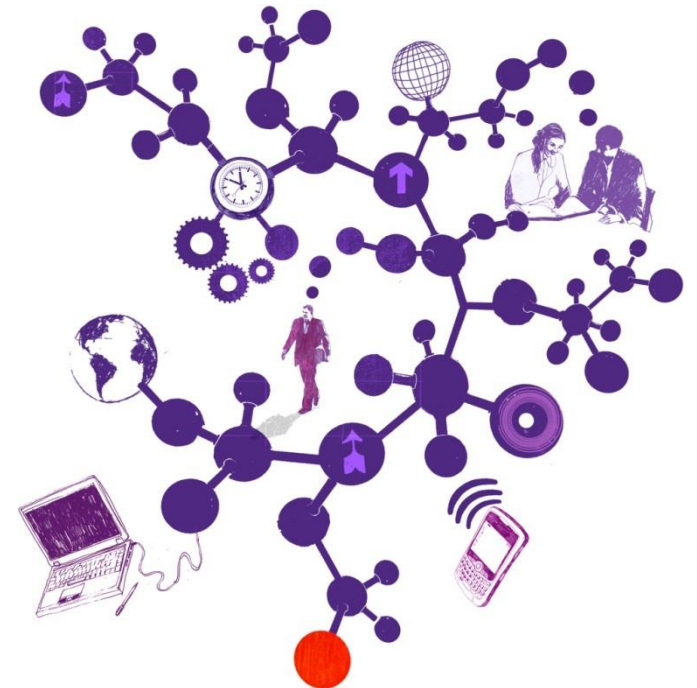
---

**Year ended 31 March 2014**

5 June 2014

**Grant Patterson**  
Engagement lead  
T 0121 232 5296  
E [grant.b.patterson@uk.gt.com](mailto:grant.b.patterson@uk.gt.com)

**Emily Mayne**  
Audit Manager  
T 07880 456 112  
E [emily.j.mayne@uk.gt.com](mailto:emily.j.mayne@uk.gt.com)



---

# Agenda

- Introduction
- Public Sector Audit Framework
- Responsibilities
- Focus of our VFM Work and the VFM Framework
- Specific powers and duties of external auditors

# Introduction

We were appointed by the Audit Commission as auditors to Shropshire Council from 2012/13. In the local area we are also the appointed auditors to West Mercia Energy Joint Committee, STAH, Shropshire & Wrekin FRA, Shropshire Community Health NHST, Shropshire CCG and Telford & Wrekin CCG.

We aim to provide you with a high quality external audit service. We continue to develop our relationship with you, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms. Over 35,000 Grant Thornton people, across 100 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work.

We are the UK's leading provider of public sector external audit services, covering all parts of the NHS and local government. We can offer a full complement of supporting services if required, such as taxation advice, corporate governance reviews and board effectiveness workshops.

Members of the Audit Committee can find further useful material on our website ([www.grant-thornton.co.uk/publicsector](http://www.grant-thornton.co.uk/publicsector)), where we have a section dedicated to our work in the public sector.

**No.1**

Auditor of public sector healthcare

**40%**

Of the public sector audit market

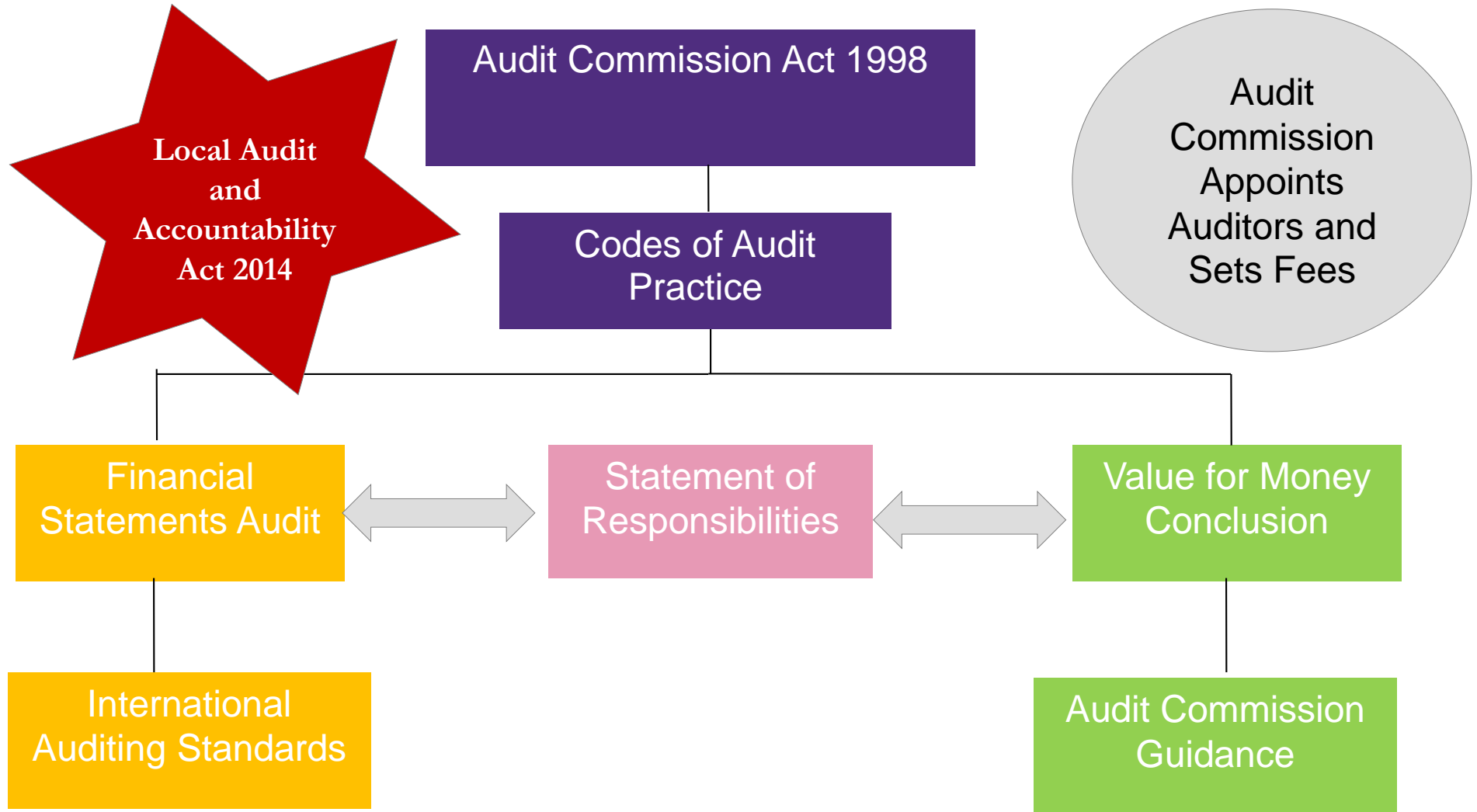
**4,000**

People in the UK

**Number 1**

Employer of CIPFA members and trainees

# Overview of Current Public Audit Framework



# Responsibilities

Public bodies, such as the Council, are responsible for ensuring that business is:

- conducted in accordance with the law and proper standards, and that
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The responsibilities of auditors are derived from statute (principally the Audit Commission Act 1998) and from the Code of Audit Practice. We normally expect this work will include:

- an opinion on financial statements
- a value for money (VFM) conclusion

---

## Focus of our VFM work

We base our work on a risk assessment that:

- reviews your Annual Governance Statement
- reviews the results of the work of the Audit Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on our responsibilities as the Council's auditors
- undertakes other local risk-based work as appropriate, or any work mandated by the Audit Commission.

The Code also empowers the Audit Commission to specify criteria, and the Audit Commission has done so. The two criteria are:

- The organisation has proper arrangements in place for securing financial resilience.
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We do not provide assurance to audited bodies on the operational effectiveness of specific aspects of their arrangements for the use of resources. Neither can we be relied upon to have identified every weakness or every opportunity for improvement. The Council should consider our conclusions and recommendations in the broader operational or other relevant context.

---

# Financial Resilience

Has the Council got robust systems and processes to **manage effectively financial risks** and opportunities, and to **secure a stable financial position** that **enables it to continue to operate for the foreseeable future?**

The areas we consider for this criteria:

- In year performance against financial targets and ratio's. Such as overspends, the use of non recurrent income or savings and the achievement of savings plans.
- Cashflow
- Medium Term Financial Strategy
- Development of savings plans
- Value of Assets and levels of reserves
- Role of the Cabinet, the Audit Committee and Leadership team
- Assurance Framework and Risk management

---

# Arrangements for securing economy efficiency and effectiveness

Is the Council **prioritising its resources** within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity?

The areas we consider for this criteria include:

- front line staff engagement in the development and delivery of savings plans
- consultations with key stakeholders in determining priorities or opportunities for savings
- the arrangements to monitor the implementation of savings plans and impact on performance and quality
- the understanding of costs and the use of benchmarking
- the role of the Cabinet, Council and leadership team in prioritising resources
- data quality
- delivery of savings and service re-design



# VFM Conclusions

There are three possible types of conclusion

Type of conclusion	Description
Unqualified	Having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, the auditor is satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 20XX.
Qualified (except for)	<p>A 'qualified conclusion' paragraph would contain specific details e.g. The Council does not have in place a robust medium term financial strategy.</p> <p>The conclusion would be ' ..... with the exception of the matter reported in the basis for qualified conclusion paragraph above, the auditor is satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 20XX.'</p>
Adverse	<p>An 'adverse conclusion paragraph would contain specific details.</p> <p>The conclusion would be '.....the matters reported in the basis for adverse conclusion paragraph above prevent me from being satisfied that in all significant respects the Council has put in place proper arrangements etc ...'.</p>

---

## Specific powers and duties of external auditors

Auditors also have specific powers and duties under the Audit Commission Act 1998 (the Act) in relation to matters of legality and electors' rights. For local government bodies auditors must consider:

- whether to issue a public interest report
- give electors the opportunity to raise questions about a local authority's accounts, and consider and decide upon objections received from electors in relation to the accounts

We may also decide whether:

- an audited body should consider formally, and respond to in public, recommendations made in an audit report
- to issue an advisory notice or to apply to the court for a declaration that an item of account is unlawful if we have reason to believe that unlawful expenditure has been or is about to be incurred by an audited body; and
- to apply for judicial review with respect to a decision of an audited body or a failure of an audited body to act, which it is reasonable to believe would have an effect on the accounts of that body.



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**