

Please ask for: Matt Berry

Extension No: 4589

E-Mail: mattberry@cannockchasedc.gov.uk

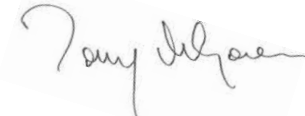
15 March, 2019

Dear Councillor,

**AUDIT & GOVERNANCE COMMITTEE
4:00PM, TUESDAY 26 MARCH 2019
ESPERANCE ROOM, CIVIC CENTRE, CANNOCK**

You are invited to attend this meeting for consideration of the matters itemised in the following Agenda.

Yours sincerely,



**T. McGovern
Managing Director**

To: Councillors

Grice, Mrs. D. (Chairman)
Dudson, Miss M.J. (Vice-Chairman)
Bowater, J.L. Stretton, Mrs. P.Z.
Crabtree, S.K. Tait, Ms. L.
Johnson, J.P.

A G E N D A

PART 1

1. Apologies

2. Declarations of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members

To declare any personal, pecuniary or disclosable pecuniary interests in accordance with the Code of Conduct and any possible contraventions under Section 106 of the Local Government Finance Act 1992.

3. Minutes

To approve the Minutes of the meeting held on 27 November 2018 (enclosed).

4. Internal Audit Quarter 3 Report 2018/19

Report of the Chief Internal Auditor and Risk Manager (4.1 – 4.11).

5. Internal Audit Plan 2019/20

Report of the Chief Internal Auditor and Risk Manager (5.1 – 5.19).

6. Independent Members on Audit Committees

Discussion item referred from the Audit & Governance Committee meeting held in November 2018. Comparator information with other local authorities is enclosed (Item 6.1 – 6.2).

7. Cannock Chase District Council Certification Letter 2017/18

Letter of the External Auditors (Item 7.1 – 7.3).

8. External Audit Plan 2018/19

Report of the External Auditors (Item 8.1 – 8.15).

9. Audit Progress Report and Sector Updated 2018/19

Report of the External Auditors (Item 9.1 – 9.15).

CANNOCK CHASE COUNCIL
MINUTES OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD ON TUESDAY 27 NOVEMBER 2018 AT 4:00 P.M.
IN THE CIVIC CENTRE, BEECROFT ROAD, CANNOCK

PART 1

PRESENT:
Councillors

Grice, Mrs. D. (Chairman)
Dudson, Miss M.J. (Vice-Chairman)
Crabtree, S.K. Stretton, Mrs. P.Z.
Johnson, J.P. Tait, Ms. L.

Also Present:

- Richard Percival, Associate Director, Grant Thornton (External Auditors)

17. Apologies

Apologies for absence were submitted for Councillor J.L. Bowater.

18. Declaration of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members

No Declarations of Interests were made in addition to those already confirmed by Members in the Register of Members' Interests.

19. Minutes

RESOLVED:

That the Minutes of the meeting held on 26 July, 2018, be approved as a correct record and signed.

20. Internal Audit Quarter 1 & 2 Report 2018/19

Consideration was given to the Report of the Chief Internal Auditor & Risk Manager (Item 4.1 – 4.4 of the Official Minutes of the Council).

The Chief Internal Auditor & Risk Manager took Members' through the following aspects of the report and provided updates where necessary:

- Audit Plan progress (Appendix 1);
- Audits Completed in Quarters 1 and 2 (Appendix 2);
- Audits in Progress (Appendix 3);
- Audit Follow-ups Completed in Quarters 1 and 2 (Appendix 4);

- IT Audit Plan (Appendix 5).

A Member queried whether councillors had a role in Internal Audit beyond the meetings of the Committee. The Head of Governance and Corporate Services replied that Members had no other role at present, but in some other local authorities and Independent Member was appointed to the audit committee. The External Auditor further replied that the role and remit of an Independent Member varied across those councils that had such persons in place, but could provide a means of 'external scrutiny' to a council's internal audit function. It was then agreed that this matter be placed on the agenda for the March 2019 meeting of the Committee for further consideration.

Another Member then queried if a follow-up review was undertaken when an audit was given a 'partial' assurance rating. The Chief Internal Auditor & Risk Manager replied that all audits rated 'limited' or 'partial' were followed-up and progress updates reported to the Committee. If the assurance rating remained unchanged after the follow-up, a further review would be undertaken after 6 months. The Head of Governance and Corporate Services further replied that any particular issues of concern could be brought to the Committee for consideration.

RESOLVED:

That:

- (A) The Internal Audit Report for Quarters 1 and 2 of 2018/19 be noted.
- (B) The IT Audit Plan as set out in Appendix 5 of the Report be approved.

21. Strategic Risk Register

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 5.1 – 5.4 of the Official Minutes of the Council) (*presented by the Chief Internal Auditor & Risk Manager*).

The Chief Internal Auditor & Risk Manager drew Members' attention to the Council's risk profile as at 30 September, 2018 (referenced in paragraph 3.1 of the report), advising that the rating for the red risk remained unchanged due to ongoing external uncertainty about the long term future of local government funding.

Paragraph 5.6 of the report set out the progress made in managing each of the five strategic risks.

A Member queried if the rating for the risk concerning the Council's management/officer capacity would change as a result of the Corporate Assets Manager post being appointed to. The Head of Governance and Corporate Services replied that it could possibly change, however this risk was an ongoing issue for the Council. Capacity was in place at the moment to be able to deliver the projects in the Priority Delivery Plans and day-to-day matters, however this could change if any unexpected matters arose.

RESOLVED:

That the progress made in the identification and management of the strategic risks be noted.

22. Annual Governance Statement – Progress Report

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 6.1 – 6.10 of the Official Minutes of the Council).

The Head of Governance and Corporate Services drew Members' attention to paragraph 3.1 of the report, which set out the progress made on delivering the actions attributed to the 11 significant governance issues as detailed in the Annual Governance Statement 2017-18. Members were then taken through the progress updates for each individual issue as detailed in Appendix 1 of the report.

RESOLVED:

That the contents of the progress report on the Annual Governance Statement for 2017-18 be noted.

23. Annual Audit Letter for Cannock Chase Council 2017/18

Consideration was given to the Report of the External Auditors (Item 7.1 – 7.13 of the Official Minutes of the Council).

The External Auditor took Members through the following aspects of the 'executive summary' as detailed on reports pages 3 and 4:

- Materiality;
- Financial Statements opinion;
- Whole of Government Accounts;
- Use of statutory powers;
- Value for Money arrangements;
- Certification of Grants;
- Certificate

The hard work of the Council's Finance team to produce the financial statements by the new, earlier deadline of 31 July had also been noted.

RESOLVED:

That the Report of the External Auditors be noted.

24. Progress Report and Emerging Issues and Developments for Cannock Chase Council

Consideration was given to the Report of the External Auditors (Item 8.1 – 8.13 of the Official Minutes of the Council).

The External Auditor provided Members with a brief overview of the following aspects of the report:

- Progress at November 2018 on audit work and other matters;
- Audit Deliverables;
- Sector update;
 - Grant Thornton publications;
 - Insights from local government sector specialists;
 - Reports of interest;
 - Accounting and regulatory updates.

A Member queried when the main audit work for the year was due to take place. The External Auditor replied that some initial work would take place before the end of 2018, and the main work would happen between January and March 2019.

RESOLVED:

That the Report of the External Auditors be noted.

The meeting closed at 4:30 p.m.

CHAIRMAN

Report of:	Chief Internal Auditor & Risk Manager
Contact Officer:	Stephen Baddeley
Telephone No:	01543 464 415
Report Track:	Audit & Gov Cttee: 26/03/19

AUDIT & GOVERNANCE COMMITTEE
26 MARCH 2019
INTERNAL AUDIT QUARTER 3 REPORT FOR 2018-19

1 Purpose of Report

- 1.1 To present to the Audit & Governance Committee for information the Internal Audit Quarter 3 Report for 2018-19.

2 Recommendation

- 2.1 That the Committee notes the contents of the Internal Audit Report for Quarter 3 of 2018-19

3 Key Issues and Reasons for Recommendation

- 3.1 At the end of the quarter, seventeen audits had been completed at least to draft report stage and a further three audits were in progress. No Limited or No Assurance Audits have been issued in the quarter.

4 Relationship to Corporate Priorities

- 4.1 The system of internal control is a key element of the Council's corporate governance arrangements, which cuts across all corporate priorities.

5 Report Detail

- 5.1 The report is a snapshot view of the areas at the time that they were reviewed and does not necessarily reflect the actions that have been or are being taken by managers to address the weaknesses identified. The inclusion or comment on any area or function in this report does not indicate that the matters are being escalated to Members for further action. Internal Audit routinely follow-up the recommendations that have been made and will bring to the attention of the committee any relevant areas where significant weaknesses have not been addressed by managers.

5.2 Appendix 1 shows the performance of the section which whilst below target at the end of quarter is not of significant concern due to the amount of work-in-progress. When this is taken into account there are no major concerns in relation to the completion of the audit plan by the end of the year

5.3 The table below gives a summary of the level of assurance for each of the audits completed in the quarter. More detailed information on each of the reports issued is contained in Appendix 2.

Number of Audits	Assurance	Definition
1	Substantial ✓	All High (Red) and Medium (Amber) risks have appropriate controls in place and these controls are operating effectively. No action is required by management.
10	Partial ▲	One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. The residual risk score for the affected Medium risks are 6 or below. Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.
0	Limited !	One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. The residual risk score for the affected Medium risks are 9 or higher. Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.
0	No Assurance ✘	One or more High (Red) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. Immediate action is required by management to address the weaknesses identified in accordance with the agreed action plan.

5.4 Appendix 3 lists the audits that were in progress but had not been completed to draft report stage by the end of the quarter.

5.5 Appendix 4 contains the details of the follow-up audits issued in the quarter. Four follow-up reports have been issued in Quarter 3 some progress had been made in relation to two areas but not sufficient for a revised assurance to be issued. The other 2 audits had made sufficient progress for the assurance level to be reclassified as Substantial.

6 Implications

6.1 Financial

None

6.2 **Legal**

None

6.3 **Human Resources**

None

6.4 **Section 17 (Crime Prevention)**

None

6.5 **Human Rights Act**

None

6.6 **Data Protection**

None

6.7 **Risk Management**

None

6.8 **Equality & Diversity**

None

6.9 **Best Value**

None

7 Appendices to the Report

Appendix 1: Audit Performance

Appendix 2: Audits Completed in Quarter 3

Appendix 3: Audits in Progress

Appendix 4: Audit Follow-ups completed in Quarter 3

Background Papers

- Audit Plan File.
- Audit Time Recording System
- Internal Audit Reports


ITEM NO. 4.

Audit Performance

Breakdown of the Planned Delivery of the Audit Plan by Quarter

Target Completion	Quarter %	No of Audits for Quarter	Cumulative %	Cumulative Total Number of Audits
Quarter 1	10	3	10	3
Quarter 2	25	8	35	11
Quarter 3	25	8	60	19
Quarter 4	40	13	100	32




Cumulative Performance Information at the end of the Quarter




	Planned Audits	Actual Audits			
		Complete	% Of Completed	Work In Progress	% WIP & Complete
Audit Plan	19	17	89%	3	105%
Commentary	The Section is slightly below target in relation to the completed audits for the quarter. However when taking into account the work in progress this improves the situation. At the start of the year the team was carrying a vacancy and there has been a higher level of sickness than anticipated in quarter 3. It is forecast that the majority of the planned Audit work will be completed by the end of the year.				





ITEM NO. 4.


Appendix 2

Audits Completed in Quarter 3

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Stores Function	Housing & Partnerships	Final	9	Partial 	The main areas of weaknesses were – <ul style="list-style-type: none"> • A need to ensure procedure notes are comprehensive and up-to-date • Some risk assessments needed to be updated • Stock-takes need to comply with Insurance requirements • Procedures around security and access to stock need to be reviewed. • Regular market testing is needed in relation to the procurement of items held in the stores.
Culture and Leisure Services Contract Monitoring (Client Function)	Environment & Healthy Lifestyles	Draft	6	Partial 	The main areas of weaknesses were – <ul style="list-style-type: none"> • A number of amendments needed to be made to the Contract Documents, such as previously agreed changes to the Management Fee. There is a need to ensure all such changes are documented promptly via Legal Agreements. • Limited independent verification was carried out by the Council on the performance information supplied by the Contractor to demonstrate they were meeting the Council’s objectives.
Street Cleansing	Environment & Healthy Lifestyles	Final	8	Partial 	The framework around which the service runs is in need of review i.e. the specification for the service to ensure that it remains appropriate, and also the performance management arrangements, to ensure that the service can operate in the most efficient and effective way possible based on the resources available.

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Miscellaneous Engineering Functions (Public Clocks, Bus Stations, Street Furniture & Land Drainage)	Environment & Healthy Lifestyles	Final	4	Partial 	<p>The main areas of weaknesses were –</p> <ul style="list-style-type: none"> • a need to review documentation used to record inspections to ensure that it is sufficiently robust and to consider the use of photographs to support comments made where defects/issues have been identified • a need to maintaining a log of issues/defects that have been identified to help identify trends and issues; and • a need to sample check data sent in respect of bus departure fees to ensure that it is correct prior to agreeing payment amounts
National Non Domestic Rates	Financial Management	Draft	1	Partial 	<p>Some improvements were required in the procedures and documentation used by the Visiting Officers when checking empty properties for relief.</p>
Partnerships & CCTV	Housing & Partnerships	Draft	7	Partial 	<p>The areas of weakness related to –</p> <ul style="list-style-type: none"> • A need to update the Terms of Reference/Memorandum of Agreement for the Local Strategic Partnership • A review of documentation was needed to include Equality & Diversity GDPR implications. • A Partnership Risk register needs to be established. • Procedure Notes and Business Continuity Plans need to be updated following the relocation of the CCTV Control Room.

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Public Relations & Marketing including Graphic Design	Governance & Corporate Services	Final	4	Partial 	<p>The main areas of weaknesses were –</p> <ul style="list-style-type: none"> • a need to review and update the Communications Strategy • a need to raise awareness of the team and services to Council departments. • creating a more formalised approach to future work to allow the team to plan/timetable work more efficiently and to ensure services don't incur external costs for advertising etc that can be sourced for free. • Time/cost recording against campaigns does not occur which means the true cost of the campaign is not known.
General Ledger (Total) IT Application and Management	Technology*/Financial Management	Final	4	Partial 	<ul style="list-style-type: none"> • The system administrator roles within Finance were not fully defined and there was over reliance on one person for system administration tasks. • There was a lack of documentation relating to system parameter changes, system set-up and bespoke changes to reports and operations.
Cyber Security	Technology*	Final	2	Partial 	<ul style="list-style-type: none"> • Some of the security applications were not updated to the latest versions at the time of the review but were in a programme of work to be completed. • The IT Risk Register was in need of review at the time of the audit – it is recognised that this has been updated post-audit
External Data Transfers	Technology*	Final	3	Partial 	<ul style="list-style-type: none"> • Data transfers were not being undertaken in accordance with the Council's policy • There was no central record of external data transfers held despite this being a requirement of the policy. • Not all external data transfers were subject to appropriate risk assessment/justification recording prior to being sent.

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Banking Arrangements	Financial Management	Final	0	Substantial 	

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Audits in Progress



Audit	Head of Service
Staff Timekeeping and Leave	HR★
Fleet Management & Garage Workshop	Environment & Healthy Lifestyles
Creditors	Financial Management

★ Services led by Stafford Borough Council as part of Shared Services

ITEM NO. 4.

Audit Follow-ups Completed in Quarter 3

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Lease Holder Recharges	Housing & Partnerships	Partial 	0	5	1	6	Partial 	<ul style="list-style-type: none"> • Work was still needed to document the process used to calculate the recharges. • The Leaseholder records on Northgate are still not complete due to technical issues in relation to the upload of information into Northgate. • Work needs to progress on verifying the Grounds Maintenance costs.
Homelessness Provisions & Housing Options Team	Housing & Partnerships	Partial 	0	3	0	3	Partial 	<ul style="list-style-type: none"> • Work was still ongoing to update the policies & procedures following the implementation of the “duty to refer” • Work was still needed to ensure Value for Money was being achieved in relation to temporary accommodation / Bed & Breakfast costs. • The Housing Advice information on the website was still under review.
Cemeteries	Environment & Health Lifestyles	Partial 	2	0	0	2	Substantial 	

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Planning - Local Plan/ Forward Planning	Economic Prosperity	Partial 	2	0	0	2	Substantial 	

Report of:	Chief Internal Auditor & Risk Manager
Contact Officer:	Stephen Baddeley
Telephone No:	01543 464 415
Report Track:	Audit & Gov Cttee: 26/03/19

**AUDIT & GOVERNANCE COMMITTEE
26 MARCH 2019
INTERNAL AUDIT PLAN FOR 2019-20**

1 Purpose of Report

- 1.1 To present to the Audit & Governance Committee the Internal Audit Plan for 2019-20.

2 Recommendation

- 2.1 That the Committee approves the Audit Plan for 2019-20.

3 Key Issues and Reasons for Recommendation

- 3.1 Internal Audit has a duty to provide the Council with an annual opinion on the effectiveness of its internal control environment and governance arrangements. The work of Internal Audit is also used as one of the sources of assurance for the Annual Governance Statement.
- 3.2 Internal Audit is required to produce a plan of work to ensure that it can give an appropriate opinion on the Council's key risk areas and systems and provide sufficient coverage for the production of the Annual Governance Statement.
- 3.3 The Audit Plan is determined via a risk assessment exercise and the results of that exercise are detailed in the report along with the resources available within the team to deliver the work. The planned work is deemed to be sufficient to ensure that Internal Audit can deliver an appropriate opinion on the control environment and governance arrangements at the Council.

4 Report Detail

- 4.1 Internal Audit is an assurance function which primarily provides an independent and objective opinion to the Council on its governance arrangements and internal controls. The Internal Audit Section does this by conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole of the Council and to all levels of management.

- 4.2 To provide this assurance Internal Audit conducts an annual risk assessment and determines an audit plan for the year.
- 4.3 Meetings are held with Heads of Service and the Council's s151 Officer as part of the risk assessment process to obtain views and comments in relation to the composition of the Internal Audit Plan. Comments are also invited from the External Auditor.
- 4.4 A copy of the full audit needs assessment undertaken for 2019-20 is attached as Appendix 2. This shows two elements:-
- The areas delivered as a Shared Service with Stafford Borough Council; and
 - Those services solely delivered by Cannock Chase District Council.
- 4.5 The risk assessment uses a number of factors to calculate a risk score for each area and the resulting scores are banded into three risk categories
- High (scores over 100);
 - Medium (scores 60-99); and
 - Low (scores upto 59).
- 4.6 As in previous years the audit areas have then been ranked by the risk category to determine those audits that will be undertaken in 2019-20
- 4.7 The outcome of the risk assessment has resulted in the following categorisation of risk scores:

Audit Universe – Number of Audits by Risk

	Cannock Chase	Shared
High	1	5
Medium	65	34
Low	0	0
Total	66	39

- 4.8 The resource available for the delivery of the Audit Plan across both authorities in 2019-20 is 535 days; the full details are shown in Appendix 3. The In-House team is currently carrying a vacancy, which is being covered by the use of External Support. The resources available for the year are considered sufficient to cover enough work to adequately inform the Annual Audit Opinion for 2019-20.
- 4.9 This is broken down into:

Allocation of Resources to Audit Plan Requirements

Shared Service Audits	180
Cannock Specific Audits	175
Stafford Specific Audits	120
IT Audit Plan	60
Total Days	535

- 4.10 The resources available within the Internal Audit Section were then compared to the risk assessment in order to determine those audits that will be undertaken in 2019-20 and form the basis of the Audit Plan, with priority given to the highest risk scoring areas. Although most of the work of the team is contained in the Audit Plan some time is also set-aside for other work carried out by the team. This includes fraud related work, other consultancy reviews, provision of ad hoc advice and special investigations.
- 4.11 Internal Audit has sufficient resources to review all of the High Risk areas in the risk assessment for the Cannock Chase specific audits (those scoring 100 or higher) and a proportion of the medium risk areas, i.e. those with a score over 83.
- 4.12 The Audit Plan for 2019-20 covering the Shared Service Audits and the Cannock Chase Specific Audits is included in Appendix 1.
- 4.13 Whilst Asset Management has been assessed as a High Risk a decision has been taken not to carry out the audit this year due to a new Asset Management Plan being produced during 2019-20 which will not be completed until quarter 4. It has been decided to wait until this has been issued before carrying out the audit.
- 4.14 The Cannock Chase Specific Audit Plan equates to 15 out of a possible 66 audits that have been risk assessed (approximately 23%) and comprises 0% (0/1) of the High Risk areas and 23% (15/65) of the medium risk areas (those with a score of 84 or more).
- 4.15 In addition to the Cannock Chase Specific work 8 audits have been included for Shared Service areas. This comprises all of the High Risk areas (6/6) and 2 of the 34 (approximately 6%) medium risk areas (those scoring over 86). The plan equates to approximately 20% of the 39 Shared Service Audits that have been identified.
- 4.16 For the large financial systems which appear on the Audit Plan annually (Housing Benefits, Council Tax, NNDR and Payroll) the section reviews a portion of the system in detail each year. This provides full coverage of the system over a 2-3 year period.
- 4.17 This year the audits have also been categorised into 3 types:
- Key Finance Systems – these are the major finance systems of the Council, e.g. Council Tax, Payroll, General Ledger.
 - Assurance Functions – These are functions which provide the Council with information about how well other systems are operating e.g. risk management, performance management and budget monitoring.
 - Operational Audits – These are the functions of the Council which provide a service to the public or ensure that the Council functions operate e.g. Grounds Maintenance, Housing Allocations and Food Safety Inspections.

4.18 The Audit Plan has been split across the 3 audit types as follows:

	Number	%
Key Finance Systems	6	26
Assurance Functions	1	4
Operational Audits	16	70
Total	23	100

4.19 It is considered that the current resources of the Internal Audit section will allow sufficient work for an appropriate opinion to be given on the Council's key risk areas and systems and provide sufficient coverage for the production of the Annual Governance Statement.

4.20 The risk based approach to audit planning results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the control environment. Examples include:-

- system based reviews of all key financial systems that could have a material impact on the Council's financial statements e.g. payroll, creditors;
- regulatory audits of Council establishments e.g. Sheltered Housing Schemes; and
- system based reviews of departmental systems/service areas e.g. Homelessness, Procurement and corporate processes.

4.21 The IT Audit Plan for 2019-20 has not yet been developed; this will be presented to a future meeting of the Audit & Governance Committee for approval.

5 Implications

5.1 Financial

None

5.2 Legal

None

5.3 Human Resources

None

5.4 Section 17 (Crime Prevention)

None

5.5 Human Rights Act

None

5.6 Data Protection

None

5.7 Risk Management

None

5.8 Equality & Diversity

None

5.9 Best Value

None

6 Appendices to the Report

Appendix 1: Internal Audit Plan 2019-20

Appendix 2: Audit Needs Assessment 2019-20

Appendix 3: Available Audit Resources 2019-20

Previous Consideration

None.

Background Papers

- Audit Plan File.

ITEM NO. 5.

Internal Audit Plan for 2019-20

Shared Service Audits

Audit Area	System Description	Corporate Business Objective	Type	Service Lead Officer	Planned Days	Rank
Housing Benefits	A review of the systems and procedures in place to assess entitlement and to make payments in relation to Housing & Council Tax Benefit.	Community Wellbeing	Key Finance System	Head of Financial Management	30	High
Council Tax	A review of the systems and procedures in place to calculate the liability, issue bills, collect income and monitor arrears in relation to Council Tax.	Corporate	Key Finance System	Head of Financial Management	25	High
National Non-Domestic Rates	A review of the systems and procedures in place to calculate the liability, issue bills, collect income and monitor arrears in relation to Business Rates.	Corporate	Key Finance System	Head of Financial Management	25	High
Payroll★	A review of the systems and procedures for the accurate payment of employees and other costs associated with employment to other bodies e.g. Tax, NI and Pensions.	Corporate	Key Finance System	Head of HR	25	High
Pensions Assurance for the County★	Completion of Pension Assurance work on behalf of Staffordshire County Council	Corporate	Key Finance System	Head of HR	10	High

Audit Area	System Description	Corporate Business Objective	Type	Service Lead Officer	Planned Days	Rank
Housing Benefits Overpayment Team	A review of the systems and procedures in place to recover overpaid Housing & Council Tax Benefit.	Corporate	Operational Audit	Head of Financial Management	15	High
Sundry Debtors	A review of the systems and procedures in place to calculate the liability, issue bills, collect income and monitor arrears in relation to miscellaneous debts due to the Council for services provided to others. This will include all elements of the system not just those functions carried out by the Accounts Receivable Section.	Corporate	Key Finance System	Head of Financial Management	25	Medium
Building Control & Inspection	A review of the systems and procedures in place for the operation of the Building Control function, to include the collection of fees and approval of changes to buildings.	Community Wellbeing	Operational Audit	Head of Economic Prosperity	15	Medium
Total Days					170	

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Cannock Chase DC Specific Audits

Audit Area	System Description	Corporate Business Objective	Type	Service Lead Officer	Planned Days	Rank
Management of Parks & Open Spaces	Review of the Council's managed parks and management of open spaces.	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	15	Medium
Housing Property Services	A review of the systems and procedures in place to let contracts and monitor delivery of the Council's programme of up-grades and refurbishment of Council Houses. This include External Works, heating upgrades, kitchen and bathroom upgrades etc.	Community Wellbeing	Operational Audit	Housing & Partnerships	15	Medium
Housing Properties Safety & Compliance Procedures	A review of the systems and procedures to ensure fire and safety compliance issues are dealt with in communal housing properties.	Community Wellbeing	Operational Audit	Housing & Partnerships	5	Medium
Town Centre Management & Development	A review of the systems and procedures in place to manage and develop the town centres.	Promoting Prosperity	Operational Audit	Economic Prosperity	10	Medium
Public Buildings/ Facilities Management	A review of the systems and procedures in place to carry out repairs and maintenance of the Council's properties (excluding Housing Stock)	Corporate	Operational Audit	Economic Prosperity	15	Medium

Audit Area	System Description	Corporate Business Objective	Type	Service Lead Officer	Planned Days	Rank
Environmental Protection/ Pollution Control	A review of the operation of the Council's responsibilities in relation to Environmental Protection and preventing and investigating pollution related incidents.	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	10	Medium
Economic Development & Tourism Exclude the LEP)	A review of the Council's activities to improve the local economy and to promote tourism. This will include a review of the Council's involvement of the LEP.	Promoting Prosperity	Operational Audit	Economic Prosperity	10	Medium
Utilities Management	A review of the systems and procedures in place to procure and manage utilities usage at the Council. To include the supply of gas and electricity to the main Council sites and methods of reducing energy usage via energy efficiency measures and "green" IT co.	Corporate	Operational Audit	Economic Prosperity	10	Medium
Countryside Management & Rangers Service	A review of the management and operation of the Countryside Service.	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	10	Medium
Health & Wellbeing Major Projects	To cover Stadium Additional Cemetery Provision	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	10	Medium

Audit Area	System Description	Corporate Business Objective	Type	Service Lead Officer	Planned Days	Rank
Land charges	A review of the systems and procedures for the recording of charges against properties and for supplying search information to solicitors as part of house conveyance. This will include the collection of income due for searches and the recording of costs	Corporate	Operational Audit	Governance & Corporate Services	10	Medium
Safeguarding Children & Vulnerable Adults	To review the implementation of policies & procedures to safeguard children & vulnerable adults. To include CRB & Vetting & Barring as well as C&VA Policy	Corporate	Assurance	Housing & Partnerships	15	Medium
Housing Social Alarms Arrangements	A review of the arrangements to provide Social Alarms service to Council tenants	Community Wellbeing	Operational Audit	Housing & Partnerships	5	Medium
Private Sector Housing Grants	A review of the policies and procedures for the administration and funding of Housing Grants including Disabled Facility and Home Security Grants.	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	15	Medium
New Social Housing Building Schemes	To cover Contracts to redevelop estates and build new social housing	Promoting Prosperity	Operational Audit	Housing & Partnerships	15	Medium
Total Days					170	

ITEM NO. 5.

Stafford Borough Council Audit Needs Assessment**Shared Service Areas**

Audit Area	Corporate Priority	Type	Service Lead Officer	Planned Days	Risk Category
Housing Benefits	Community Wellbeing	Key Finance System	Head of Financial Management	30	High
Council Tax	Corporate	Key Finance System	Head of Financial Management	25	High
National Non-Domestic Rates	Corporate	Key Finance System	Head of Financial Management	25	High
Payroll	Corporate	Key Finance System	Head of HR	10	High
Pensions Assurance for the County	Corporate	Key Finance System	Head of HR	25	High
Housing Benefits Overpayment Team	Corporate	Operational Audit	Head of Financial Management	10	Medium
Sundry Debtors	Corporate	Key Finance System	Head of Financial Management	15	Medium
Building Control & Inspection	Community Wellbeing	Operational Audit	Head of Economic Prosperity	25	Medium
Budgetary Control & Budget Setting	Corporate	Assurance	Head of Financial Management	20	Medium
Capital Accounting	Corporate	Key Finance System	Head of Financial Management	25	Medium
Procurement	Corporate	Assurance	Head of Governance & Corporate Services	20	Medium
Value Added Tax	Corporate	Operational Audit	Head of Financial Management	25	Medium
Court Fees & Recovery, Legal Admin & Case Management System	Corporate	Operational Audit	Head of Law & Administration	15	Medium

Audit Area	Corporate Priority	Type	Service Lead Officer	Planned Days	Risk Category
LTB Compliance & Social Housing Fraud Team	Corporate	Operational Audit	Head of Financial Management	20	Medium
Creditors	Corporate	Key Finance System	Head of Financial Management	20	Medium
Training/Development, Staff Appraisals & PETS	Corporate	Operational Audit	Head of HR	20	Medium
Treasury Management	Corporate	Key Finance System	Head of Financial Management	14	Medium
Reprographics (inc photocopiers)	Corporate	Operational Audit	Head of Technology	14	Medium
Staff Expenses	Corporate	Operational Audit	Head of HR	25	Medium
Use of Purchasing Cards	Corporate	Operational Audit	Head of Financial Management	15	Medium
Managing Absence	Corporate	Assurance	Head of HR	15	Medium
Pest & Dog Control	Community Wellbeing	Operational Audit	Head of Operations	15	Medium
Risk Management	Corporate	Assurance	Head of Governance & Corporate Services	15	Medium
Grants Procedures (Grants to the Council)	Corporate	Operational Audit	Head of Financial Management	15	Medium
Civil Contingencies (Emergency Planning, Business Continuity)	Corporate	Assurance	Head of Governance & Corporate Services	10	Medium
Re-evaluation, Regrade and Honoraria Procedures	Corporate	Operational Audit	Head of HR	25	Medium
General Ledger	Corporate	Key Finance System	Head of Financial Management	20	Medium
Information Governance	Corporate	Assurance	Head of Governance & Corporate Services	15	Medium
Insurance	Corporate	Assurance	Head of Governance & Corporate Services	20	Medium

Audit Area	Corporate Priority	Type	Service Lead Officer	Planned Days	Risk Category
E-Payments & residual cash income	Corporate	Key Finance System	Head of Financial Management	20	Medium
Bank Reconciliation	Corporate	Key Finance System	Head of Financial Management	14	Medium
Central Recharge Processes	Corporate	Operational Audit	Head of Financial Management	15	Medium
Telecommunications Arrangements	Corporate	Operational Audit	Head of Technology	20	Medium
Staff Timekeeping & Leave	Corporate	Operational Audit	Head of HR	20	Medium
Capital Strategy & Capital Programme - Includes s106 Arrangements & Bidding for External Funds	Corporate	Key Finance System	Head of Financial Management	15	Medium
Banking Arrangements	Corporate	Operational Audit	Head of Financial Management	20	Medium
Leasing	Corporate	Operational Audit	Head of Financial Management	20	Medium
LTB Control Section (Include DIPS)	Corporate	Operational Audit	Head of Financial Management	20	Medium
Recruitment & Selection Procedures	Corporate	Assurance	Head of HR	15	Medium

Cannock Chase DC Specific

Audit Area	Corporate Business Objective	Type	Service Lead Office	Planned Days	Rank
Asset Management	Corporate	Assurance	Economic Prosperity	10	High
Management of Parks & Open Spaces	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	15	Medium
Housing Property Services	Community Wellbeing	Operational Audit	Housing & Partnerships	15	Medium
Housing Properties Safety & Compliance Procedures	Community Wellbeing	Operational Audit	Housing & Partnerships	5	Medium
Town Centre Management & Development	Promoting Prosperity	Operational Audit	Economic Prosperity	10	Medium
Public Buildings/Facilities Management	Corporate	Operational Audit	Economic Prosperity	15	Medium
Environmental Protection/Pollution Control	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	10	Medium
Economic Development & Tourism Exclude the LEP)	Promoting Prosperity	Operational Audit	Economic Prosperity	10	Medium
Utilities Management	Corporate	Operational Audit	Economic Prosperity	10	Medium
Countryside Management & Rangers Service	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	10	Medium
Health & Wellbeing Major Projects	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	10	Medium
Land charges	Corporate	Operational Audit	Governance & Corporate Services	10	Medium
Safeguarding Children & Vulnerable Adults	Corporate	Assurance	Housing & Partnerships	15	Medium
Housing Social Alarms Arrangements	Community Wellbeing	Operational Audit	Housing & Partnerships	5	Medium
Private Sector Housing Grants	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	15	Medium

Audit Area	Corporate Business Objective	Type	Service Lead Office	Planned Days	Rank
New Social Housing Building Schemes	Promoting Prosperity	Operational Audit	Housing & Partnerships	15	Medium
Allocations & Voids	Community Wellbeing	Operational Audit	Housing & Partnerships	10	Medium
Business Planning, Performance Management & Corporate Plans	Corporate	Assurance	Governance & Corporate Services	15	Medium
Democratic Services, Members Allowances, PCs & Other Expenses	Corporate	Operational Audit	Governance & Corporate Services	10	Medium
Community Engagement & Consultations	Corporate	Operational Audit	Governance & Corporate Services	10	Medium
Democratic Services	Corporate	Operational Audit	Governance & Corporate Services	10	Medium
Support Services Admin	Corporate	Operational Audit	Governance & Corporate Services	10	Medium
Grants to Voluntary Organisations & Subscriptions	Corporate	Operational Audit	Head of Financial Management	5	Medium
Mortuary & Assisted Burials	Community Wellbeing	Operational Audit	Economic Prosperity	10	Medium
Residents & Tennant Support and Advice Arrangements	Community Wellbeing	Operational Audit	Housing & Partnerships	10	Medium
Local Enterprise Partnership Arrangements / Combined Authority	Promoting Prosperity	Operational Audit	Economic Prosperity	10	Medium
Property Management	Promoting Prosperity	Operational Audit	Economic Prosperity	15	Medium
Development Control (Planning Applications & Enforcement)	Promoting Prosperity	Operational Audit	Economic Prosperity	10	Medium
Licensing & Hackney carriages	Community Wellbeing	Operational Audit	Economic Prosperity	10	Medium
Electoral Registration & Elections	Corporate	Operational Audit	Governance & Corporate Services	15	Medium
Housing Maintenance	Community Wellbeing	Operational Audit	Housing & Partnerships	15	Medium

Audit Area	Corporate Business Objective	Type	Service Lead Office	Planned Days	Rank
Fleet Management & Garage Workshop	Corporate	Operational Audit	Environment & Healthy Lifestyles	10	Medium
Cleaning & Caretaking Provision	Corporate	Operational Audit	Governance & Corporate Services	10	Medium
Health & Safety	Corporate	Assurance	Governance & Corporate Services	10	Medium
Rent Debit, Collection & Arrears	Corporate	Key Finance System	Housing & Partnerships	10	Medium
Stores Function	Corporate	Operational Audit	Housing & Partnerships	10	Medium
Community Infrastructure Levy	Promoting Prosperity	Operational Audit	Economic Prosperity	10	Medium
Allotments	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	10	Medium
Miscellaneous Housing Act Responsibilities & Empty Homes Scheme	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	10	Medium
Refuse Collection and Recycling	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	15	Medium
Grounds Maintenance	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	15	Medium
Urban Forestry Management & Tree Preservation Orders	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	10	Medium
Landscape Development	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	15	Medium
Scheme Managers and Sheltered Accommodation	Community Wellbeing	Operational Audit	Housing & Partnerships	10	Medium
Equality and Diversity	Corporate	Assurance	Governance & Corporate Services	10	Medium
Local Authority Health & Safety Inspection & Enforcement	Community Wellbeing	Operational Audit	Economic Prosperity	10	Medium

Audit Area	Corporate Business Objective	Type	Service Lead Office	Planned Days	Rank
Street Cleansing	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	15	Medium
Civic Expenses, (Hospitality, Regalia, Chairman's Fundraising & Ball etc.) to include Town Twinning	Corporate	Operational Audit	Managing Director	10	Medium
Official Complaints, MP letters and Ombudsman	Corporate	Assurance	Managing Director	10	Medium
Ethical & Governance Framework	Corporate	Assurance	Governance & Corporate Services	15	Medium
Public Health & Other Enforcement	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	10	Medium
Estate Management & Caretakers	Community Wellbeing	Operational Audit	Housing & Partnerships	10	Medium
Bereavement Services & Cemeteries	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	15	Medium
Planning - Local Plan/Forward Planning	Promoting Prosperity	Operational Audit	Economic Prosperity	10	Medium
Markets	Promoting Prosperity	Operational Audit	Economic Prosperity	10	Medium
Homelessness Provisions & Housing Options Team	Community Wellbeing	Operational Audit	Housing & Partnerships	15	Medium
Public Relations & Marketing Including Graphic Design	Corporate	Operational Audit	Governance & Corporate Services	10	Medium
Food Safety Inspections and Enforcement	Community Wellbeing	Operational Audit	Economic Prosperity	10	Medium
Culture & Leisure Services Contract Monitoring (Client Function)	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	15	Medium
Car Parking Arrangements	Promoting Prosperity	Operational Audit	Environment & Healthy Lifestyles	15	Medium

Audit Area	Corporate Business Objective	Type	Service Lead Office	Planned Days	Rank
Customer Services (CRM, Reception, etc.)	Corporate	Operational Audit	Governance & Corporate Services	15	Medium
Partnerships & CCTV	Community Wellbeing	Operational Audit	Housing & Partnerships	10	Medium
Strategic Housing	Promoting Prosperity	Operational Audit	Housing & Partnerships	10	Medium
Miscellaneous Engineering Functions (Public Clocks, Bus Stations, Street Furniture & Land Drainage)	Community Wellbeing	Operational Audit	Environment & Healthy Lifestyles	5	Medium
Sale of Council Houses	Corporate	Operational Audit	Housing & Partnerships	10	Medium
Lease Holder Recharges	Corporate	Operational Audit	Housing & Partnerships	15	Medium

Available Audit Resources 2019-20

		General Audit Total	IT Audit Support	Total Days
Staffing of the Team (Excludes Chief Internal Auditor)		3		
In House Total Days		864		864
External Support		150	60	210
Days Available		1014	60	1074
Less Non Operational (leave, training etc)		338		338
Chargeable Days		676	60	736
<u>Chargeable Work</u>				
Fraud		28		28
Advice, Consultancy		58		58
Contingency Budget		90		90
Follow-ups		25		25
Audits		475	60	535
Chargeable Days		676	60	736
<u>Allocation of Resources to Audit Plan Requirements</u>				
Shared Service Audits		180		
Cannock Specific Audits		175		
Stafford Specific Audits		120		
IT Audit Plan		60		
Total Days		535		

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**Audit & Governance Committee 26/03/19 –
Independent Members on Audit Committees – Comparator Information**

Council	Independent Member?	How Appointed?	Chair of Committee?	Allowance?
Audit Group Comparator Authorities:				
<i>Bassetlaw</i>	No	-	-	-
<i>Burnley</i>	Yes – 2	Co-opted	No	No
<i>Chorley</i>	Yes – 1	N/K	No	Yes - £526.48 per year
<i>Erewash</i>	Yes – 1	N/K	No	Yes - £500 per year
<i>Hyndburn</i>	No	-	-	-
<i>Kettering</i>	No	-	-	-
<i>Nuneaton & Bedworth</i>	Yes – up to 4	Co-opted	No	Yes - £230 per year
<i>Pendle</i>	No	-	-	-
<i>Redditch</i>	Yes – 1	Co-opted	No	No
<i>Rossendale</i>	Yes – 1	Co-opted	No	No
<i>West Lancashire</i>	No	-	-	-
Staffordshire Authorities:				
<i>Cannock Chase</i>	No	-	-	-
<i>East Staffordshire</i>	Yes – 2	Open advert	No	£211 per year
<i>Lichfield</i>	Yes – 1	Open advert	No	No
<i>Newcastle-under-Lyme</i>	No	-	-	-
<i>South Staffordshire</i>	No	-	-	-
<i>Stafford</i>	No	-	-	-
<i>Staffordshire Moorlands</i>	Yes – 3	Open advert	No	No
<i>Staffordshire</i>	No	-	-	-
<i>Stoke-on-Trent</i>	No	-	-	-
<i>Tamworth</i>	No	-	-	-

Council	Independent Member?	How Appointed?	Chair of Committee?	Allowance?
Other Authorities:				
<i>Blackpool</i>	Yes – 1	Open advert recruitment and interview	No	Yes - £700 per year
<i>High Peak</i>	Yes – 3	2 co-opted from Standards Committee 1 by open advert	No	Yes - £989 per year
<i>Northamptonshire</i>	Yes – 1	Recruitment through specialist agency and interview with Cllrs – Appointed by Full Council	Yes	Yes - £100 per hour up to a maximum of £15,000 per year*
<i>Northampton</i>	Yes – 1	N/K	Yes	Yes - £4,335 per year
<i>Wychavon</i>	Yes – 1	N/K	No	No

*Allowance set at specified rate as the Council wanted to secure a high quality candidate due to current circumstances the Council is in.



Our ref: RDP/ JAM/ CCDC

Mr Bob Kean
Deputy Managing Director and Head of Finance
Cannock Chase District Council
Civic Centre
Beecroft Road
Cannock
Staffordshire
WS11 1BG

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT
T +44 (0)121 212 4000
F +44 (0)121 212 4014

14 February 2019

Dear Bob,

Certification work for Cannock Chase District Council for the year ended 31 March 2018

We are required to certify the Housing Benefit subsidy claim submitted by Cannock Chase District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments Ltd (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of £24,285,715. Further details are set out in Appendix A.

We identified several issues from our certification work which we wish to highlight for your attention. There were a number of errors from the extended testing that we carried out on this year's subsidy return, which recurred from 2016/17, there were also two new areas where we identified errors. In addition to our qualifications, we also reported three observations. The extrapolated financial impact on the claim, which we have reported to the DWP, was relatively insignificant compared to the total subsidy receivable.

As a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or to provide assurances on the errors we have identified.

The indicative fee for 2017/18 for the Council was based on the actual 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 was £12,807. Due to the additional work required to address the issues we identified, we have agreed an additional fee of £3,676, subject to confirmation from PSAA. This is set out in more detail in Appendix B.

Yours sincerely

A handwritten signature in blue ink that reads "Grant Thornton UK LLP".

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2017/18

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£24,287,622	Yes	(£1,907)	Yes	See below

Findings from certification of housing benefits subsidy claim**Earnings**

We identified errors in relation to HRA Rent Rebates and Rent Allowances whereby assessors had miscalculated claimant earned income over a period leading to an overpayment of housing benefit. We identified:

- 6 errors in respect of HRA rent rebates, leading to an extrapolated overpayment of £3,165; and
- 15 errors in respect of rent allowances, leading to an extrapolated overpayment of £14,115

Tax Credits

We identified errors in relation to HRA Rent Rebates and Rent Allowances whereby assessors had incorrectly applied child tax credits and working tax credits over a period leading to an overpayment of housing benefit. We identified:

- 6 errors in respect of HRA rent rebates, leading to an extrapolated overpayment of £636; and
- 9 errors in respect of rent allowances, leading to an extrapolated overpayment of £2,718

Change of Address

We identified errors in relation to Rent Allowances whereby assessors had failed to correctly apply a change of address leading to an overpayment of housing benefit. We identified:

- 3 errors in respect of rent allowances, leading to an extrapolated overpayment of £1,790

Modified Schemes

We identified errors in the calculation of modified scheme benefits, consistent with prior year findings these were attributable to system related issues or expenditure misclassifications. The Local Authority tested 100% of modified scheme cases due to low number of claimants, the required adjustment in relation to HRA Rent Rebates and Rent Allowances was trivial however as extrapolations were undertaken against the relevant cells, no adjustment was processed.

Statutory Maternity Pay

Our initial testing identified an error in relation to Rent Allowances whereby assessors had incorrectly calculated statutory maternity pay leading to an overpayment of benefit. The Local Authority tested 100% of the sub population, the required adjustment was £479 however as extrapolations were undertaken against the relevant cells, no adjustment was processed.

Severe Disability Premium

Our initial testing identified an error in relation to HRA Rent Rebates whereby assessors had incorrectly applied severe disability premium leading to an overpayment of benefit. The Local Authority tested 100% of the sub population, the required adjustment was £6,206 however as extrapolations were undertaken against the relevant cells, no adjustment was processed.

Benefit Paid to Benefit Granted

The Authority uses the Civica benefit software. The software supplier provides a method for the Authority to reconcile benefit granted per the benefit software to benefit paid per the benefit software.

The Local Authority did not adjust the claim form prior to submission to recognise their actual position covering the 2017/18 financial year. The Local Authority recognised the lower amount for subsidy purposes.

Rent Rebates – Pensions – No effect on Subsidy

Testing identified two cases where the pension income had been incorrectly calculated. These both resulted in an underpayment of benefit.

As there is no eligibility to subsidy for benefit, which has not been paid, the three underpayments identified did not affect subsidy.

Rent Allowances – Overpayment Recovery

Testing of the initial sample identified an issue where benefit had been overpaid as a result of a Civica related issue with regards to the recovery of benefit. The Local Authority were advised to run a system report that identifies all cases affected by this issue and the total adjustment to be made to the claim.

As we undertook extrapolations against Cell 094, the claim form was not amended and therefore this will be processed in subsidy year 2018/19. The report was ran by the Local Authority and if the claim form were to be amended, the adjustment to Cell 094 would be £511 (understated).

Rent Allowances – Offset

Testing of the initial sample identified an issue where benefit had been overpaid as a result of a Civica related issue with regards to offsetting of transactions. The Local Authority were advised to run a system report that will identifies all cases affected by this issue and the total adjustment that needs to be made to the claim.

A judgement was made by the Local Authority that the adjustment would be made in 2018/19. This was based on resource constraints and the resultant level of checking that would be required by running the utility, as confirmed through the report being ran in the test system. As we undertook extrapolations against Cell 094, the claim form was not amended.

Refer below for details of what the adjustments would be in they were to be processed.

Impact Cell	Original Cell Total	Adjustment	Revised Cell Total
Cell 094	£13,654,156	-£67,925	£13,586,231
Cell 121	£338,548	£67,925	£406,473

Appendix B: Fees for 201718 certification work

Claim or return	2015/16 fee (£)	2017/18 indicative fee (£)	2017/18 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£11,592	£12,807	£16,483	£3,676	Fee variation as explained above.
Total	£11,592	£12,807	£16,483	£3,676	

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External Audit Plan

Year ending 31 March 2019

Cannock Chase District Council

26 March 2019



Contents



Your key Grant Thornton team members are:

Richard Percival

Associate Director

T: 0121 232 5434

E: richard.d.percival@uk.gt.com

Jim McLarnon

Manager

T: 0121 232 5219

E: james.a.mclarnon@uk.gt.com

Hark Vaid

Associate

T: 0121 232 8775

E: harkamal.s.vaid@uk.gt.com

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Appendices

A. Audit Approach

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 planning 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 the Authority or all 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.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Cannock Chase District Council Authority ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Cannock Chase District Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls, this risk is mandated per ISA 240
- Valuation of land and buildings
- Valuation of the defined benefit pension scheme (LGPS)

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.25 million (prior year £1.277 million) for the Authority, which equates to approximately 2% of your prior year gross expenditure. We report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. We have set clearly trivial at £62,500 (prior year £63,800).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risk:

- Delivery of financial plans and future sustainability

Audit logistics

Our interim visits took place in February and March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £40,124 (prior year: £52,109), subject to the Authority meeting our requirements set out on page 10

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Key matters impacting our audit of the Authority

External Factors

Political and Local Government funding uncertainty

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Authority will need to ensure that it is prepared for all outcomes, including any impact on contracts, on service delivery and on its support for local people and businesses.

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Cannock Chase, at 31 December 2018 a £248,000 adverse variance was reported against profiled budget. This additional cost relates to an one off cost in relation to the outsourcing of social alarms and a continuation of sweeper hire as a revenue cost whereas the budget assumed a capital purchase. Both these items have been included within the Revised Budget set for 2018/19.

The medium term financial plan projects a balanced budget to the period 2021/22 and transfers to working balances in 2019/20 and 2021/22. Overall, the level of working balance forecast at 31 March 2022 is £2.4 million, which is significantly above the minimum £1.0 million the Authority has set itself.

The budget includes a number of assumptions in relation to council tax increases and government funding which is currently subject to uncertainty.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit.

It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Authority into our risk assessment and testing approach.

Our response

We will:

- consider the impact of both outcomes of Brexit and changes to Local Government funding on your financial planning assumptions
- consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion
- continue to monitor the performance to budgeted position as the year progresses
- consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements

We will:

- keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops
- as part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- You will see changes in the terminology we use in our reports that will align more closely with the ISAs
- We will ensure that our resources and testing are best directed to address your risks in an effective way.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Cannock Chase District Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Cannock Chase District Council.</p> <p>No detailed audit procedures are proposed, although we will continue to be aware of the risk of fraud throughout our audit work.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the Authority's asset register • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Staffordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

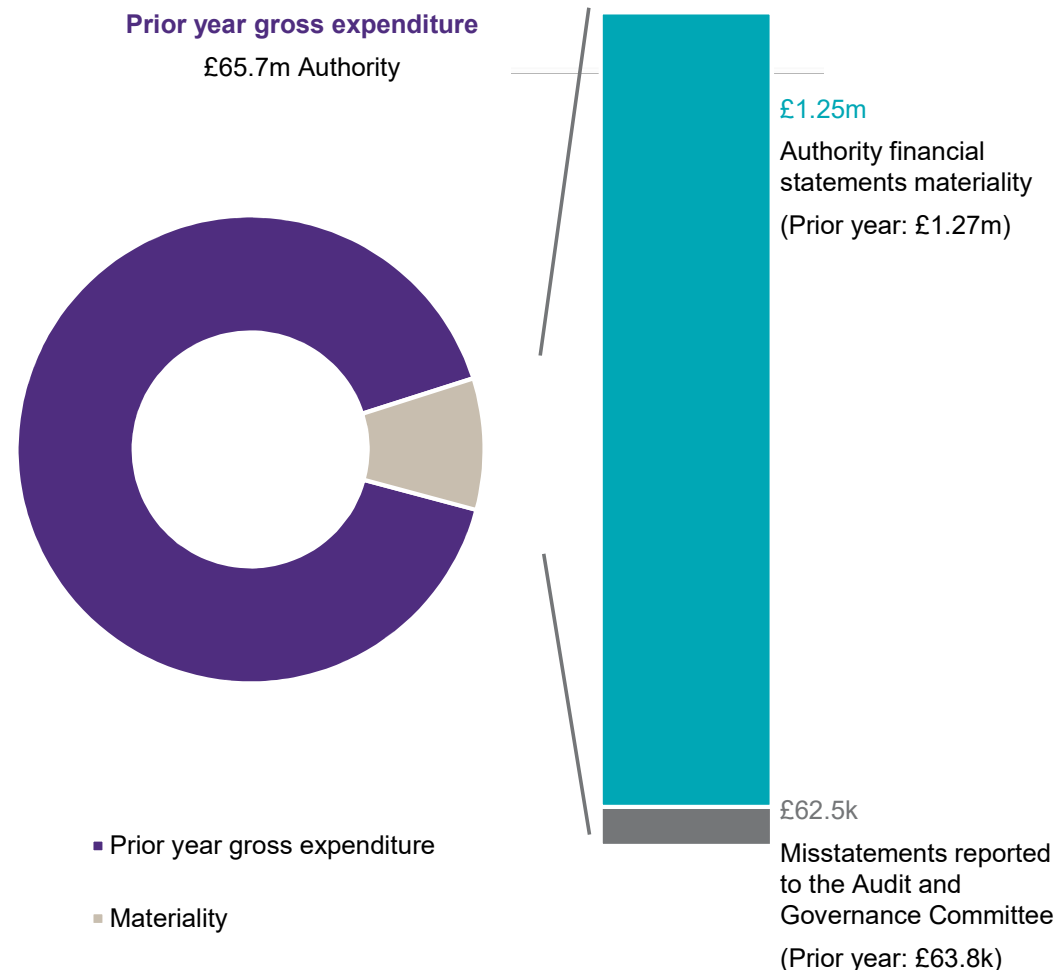
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.25 million (prior year £1.27 million) for the Authority, which equates to approximately 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £100,000 for Senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £62,500 (prior year £63,800).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

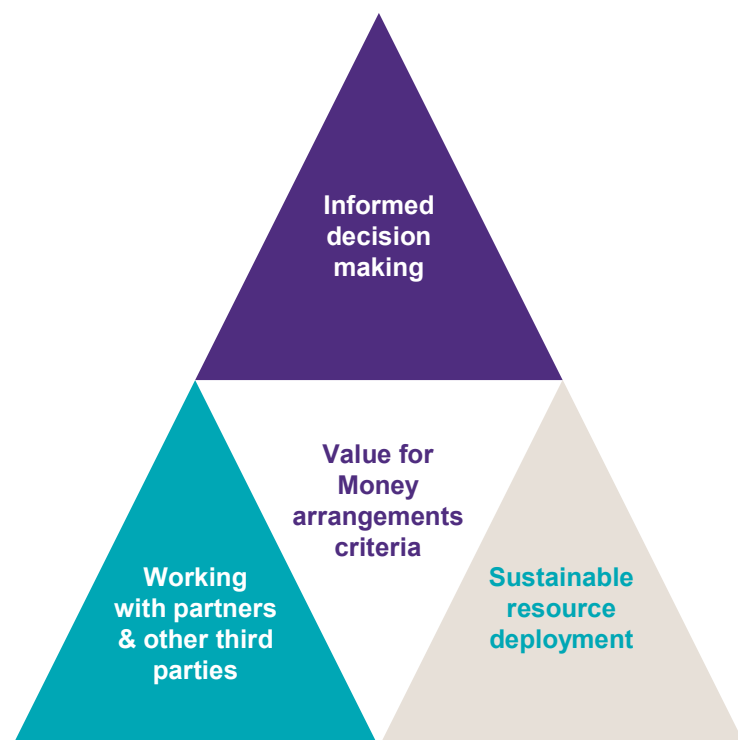
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The 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:



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



Delivery of financial plans and sustainability

The Council have a good track record of delivering in year budgets and targets, however this remains a significant risk in 2018/19 against the backdrop of a challenging Local Government landscape.

In particular, the uncertainty in regard to the future of Government funding and retention of business rates, as well as reliance on the successful delivery of Mill Green have led us to identify this as a significant risk area for the authority.

In response to this risk we will:

- Review performance in the period by comparing outturn position to budgeted for revenue and capital budgets, as well as assessing any achievement or shortfall of savings targets where applicable.
- Hold enquiries of key officers to understand the process in place for future medium term financial planning and where available, review underlying documentation to ensure assumptions are reasonable.

Audit logistics, team & fees



Richard Percival, Engagement Lead

Richard will be the main point of contact for the Chair, s151 Officer and Committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Richard will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit. Richard will sign your audit opinion.



Jim McLarnon, Audit Manager

Jim will work with senior members of the finance team ensuring testing is delivered and any accounting issues are addressed on a timely basis. He will attend Audit & Governance Committees with Richard, and supervise Hark in leading the on-site team. Jim will undertake reviews of the team’s work and draft clear, concise and understandable reports.



Hark Vaid, Audit In-charge

Hark will be the day to day contact for the audit, organising our visits and liaising with Authority staff. He will lead the on-site team and will monitor deliverables, manage our query log ensuring that any significant issues and adjustments are highlighted to management as soon as possible.

Audit fees

The planned audit fees are £40,124 (prior year: £52,109) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA. In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

Where additional audit work is required to address risks not previously communicated in the audit plan, we will consider the need to charge fees in addition to the audit fee on a case by case basis. Any additional fees will be discussed and agreed with management and require PSAA approval.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section ‘Early Close’. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 10). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified:

Service	£	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	2,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,000 in comparison to the total fee for the audit of £40,124 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefits subsidy claim	13,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £13,500 in comparison to the total fee for the audit of £40,124 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Appendices

A. Audit Approach

Audit approach

Use of audit, data interrogation and analytics software

LEAP



Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

Appian



Business process management

- Clear timeline for account review:
 - disclosure dealing
 - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons



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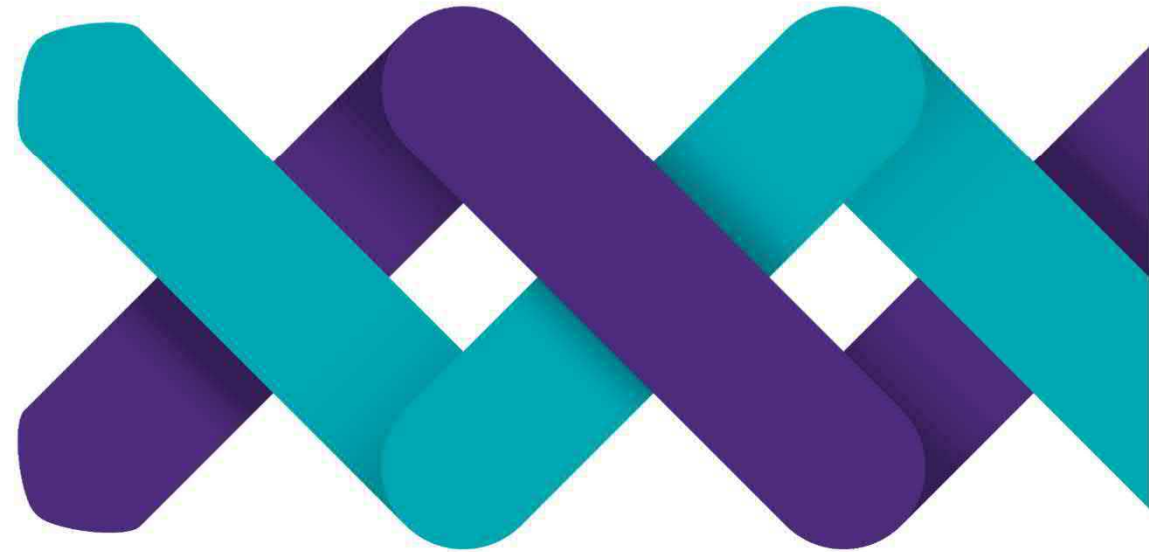
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Audit Progress Report and Sector Update

Cannock Chase District Council
Year ending 31 March 2019

26 March 2019



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Introduction



Richard Percival

Engagement Lead

T: 0121 232 5434

E: richard.d.percival@uk.gt.com



Jim McLarnon

Manager

T: 0121 232 5219

E: james.a.mclarnon@uk.gt.com

This paper provides the Audit and Governance 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 local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications

www.grantthornton.co.uk.

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.

PSAA Contract Monitoring

Cannock Chase District Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service in the document at Appendix A. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

Progress at February 2019

Financial Statements Audit

We have started planning for the 2018/19 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2018/19 financial statements.

We commenced our interim audit in February 2019. Our interim fieldwork visit includes:

- 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

There are no issues that we need to bring to the Committee's attention from the work we have completed to date. We will conclude our interim audit in March 2019.

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2019. We have discussed our plan and timetable with officers.

The final accounts audit is due to begin in June 2019 with findings reported to you in our Audit Findings Report. We will present our report at the July Audit and Governance committee meeting and issue our audit opinion by the 31 July deadline.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. 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".

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".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach are included in our Audit Plan. We identified one significant Value for Money Risk – delivery of financial plans and future sustainability – and are currently carry out our audit work on this.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 has not yet started. We will agree our overall project plan for completing this work with officers.

Meetings

We met with Finance Officers in February as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We will also meet with your Managing Director in due course to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helps to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
<p>Fee Letter Confirming audit fee for 2018/19.</p>	April 2018	Complete
<p>Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.</p>	March 2019	Complete
<p>Interim Audit Findings We will report to you if there are any findings from our interim audit work that need to be brought to your attention</p>	March 2019	Complete
<p>Audit Findings Report The Audit Findings Report will be reported to the July Audit and Governance Committee.</p>	July 2019	Not yet due
<p>Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	July 2019	Not yet due
<p>Annual Audit Letter This letter communicates the key issues arising from our work.</p>	August 2019	Not yet due
<p>Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.</p>	March 2020	Not yet due

Council responsibilities

In our Audit Plan presented to the Audit and Governance Committee (separate agenda item) we have communicated our expectations around the Council's responsibilities for timely production of the draft accounts supported by appropriate working papers. Should delays be experienced in the provision of these requirements or should additional work be required on our part due to complex technical issues, new arrangements and delays in response to queries additional costs will be incurred.

Any additional fees are subject to approval by PSAA.

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local
government

Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

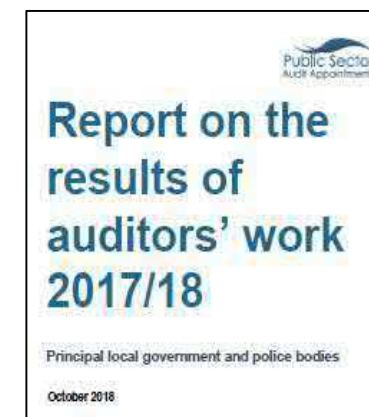
The report is available on the PSAA website:

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

PSAA Report

Challenge question:

Has your Authority identified improvements to be made to the 2018/19 financial statements audit and Value for Money Conclusion?



National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

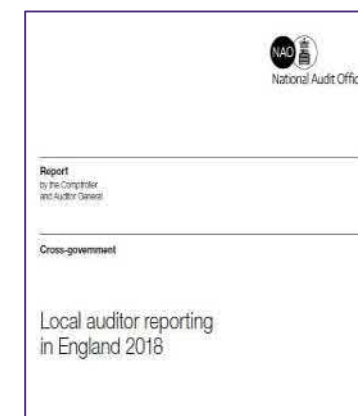
The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

NAO Report

Challenge question:

Has your Authority responded appropriately to any concerns or issues raised in the External Auditor's report for 2017/18?



National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-authority-governance-2/>



NAO Report

Challenge question:

Has your Authority got appropriate governance and risk management arrangements in place to address the risks and challenges identified in the NAO report?



CIPFA – Financial Resilience Index plans revised

The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.

CIPFA Consultation

Challenge question:

Have members been briefed on the Council’s response to the Financial Resilience Index consultation?



ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

What's the problem?

- **Short-term solvency vs. Longer-term value:**
 - LG & NHS: Facing financial pressures, oversight & governance pressures
- **Limited usefulness of auditors reports:** 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'
- **Other powers and duties:** implementing public interest reports in addition to VFM
- **Restricted role of questions and objections:** Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.
- **Audit qualification not always acted on by those charged with governance:** 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'
- **Audit committees not consistently effective:** Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.
- **Decreased audit fees:** firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.
- **Impact of audit independence rules:** new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role
- **Other stakeholders expectations not aligned with audit standards**

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

Future financial viability of local public bodies

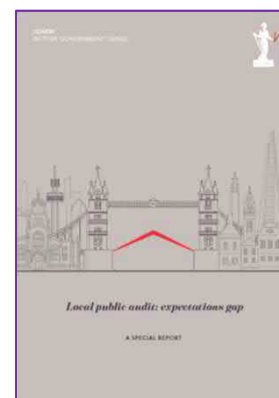
Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



The expectations gap

Challenge question:

How effectively is the audit meeting client expectations?



Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

Public Sector Audit Appointments

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

Local Government audits 2018/19 and beyond

Grant Thornton's External Audit commitment

Audit 2018/19

Our team

Richard Percival
Engagement Lead



T 0121 232 5434
E richard.d.percival@uk.gt.com

Jim McLarnon
Engagement Manager



T 0121 232 5219
E james.a.mclarnon@uk.gt.com

Harkamal Vaid
Audit In-Charge



T 0121 232 8775
E harkamal.s.vaid@uk.gt.com

"I have always been extremely pleased with the work done by colleagues from Grant Thornton, there is continuity of staff delivering the team who presented the bid. This continuity remains through the cycle of work that takes place during the year; allowing the team to continue to understand the corporate objectives whilst allowing us to ensure we comply with the required standards. The team are very friendly and approachable with an accommodating style".

Director of Finance, local audited body

Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

Our relationship with our clients – why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.
- We propose a realistic fee, based on known local circumstances and requirements.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Grant Thornton Local Government

ITEM NO. 9.14

Our client base and delivery



- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

Our connections



- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

Our people



- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

Our quality



- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

Our technical support



- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies

"I have found Grant Thornton to be very impressive.....they bring a real understanding of the area. Their insights and support are excellent. They are responsive, pragmatic and, through their relationship and the quality of their work, support us in moving forward through increasingly challenging times. I wouldn't hesitate to work with them."

Director of Finance, County Council



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