

Audit Committee Update for Lancashire Combined Fire Authority

Progress Report and Update Year ended 31 March 2017

January 2017

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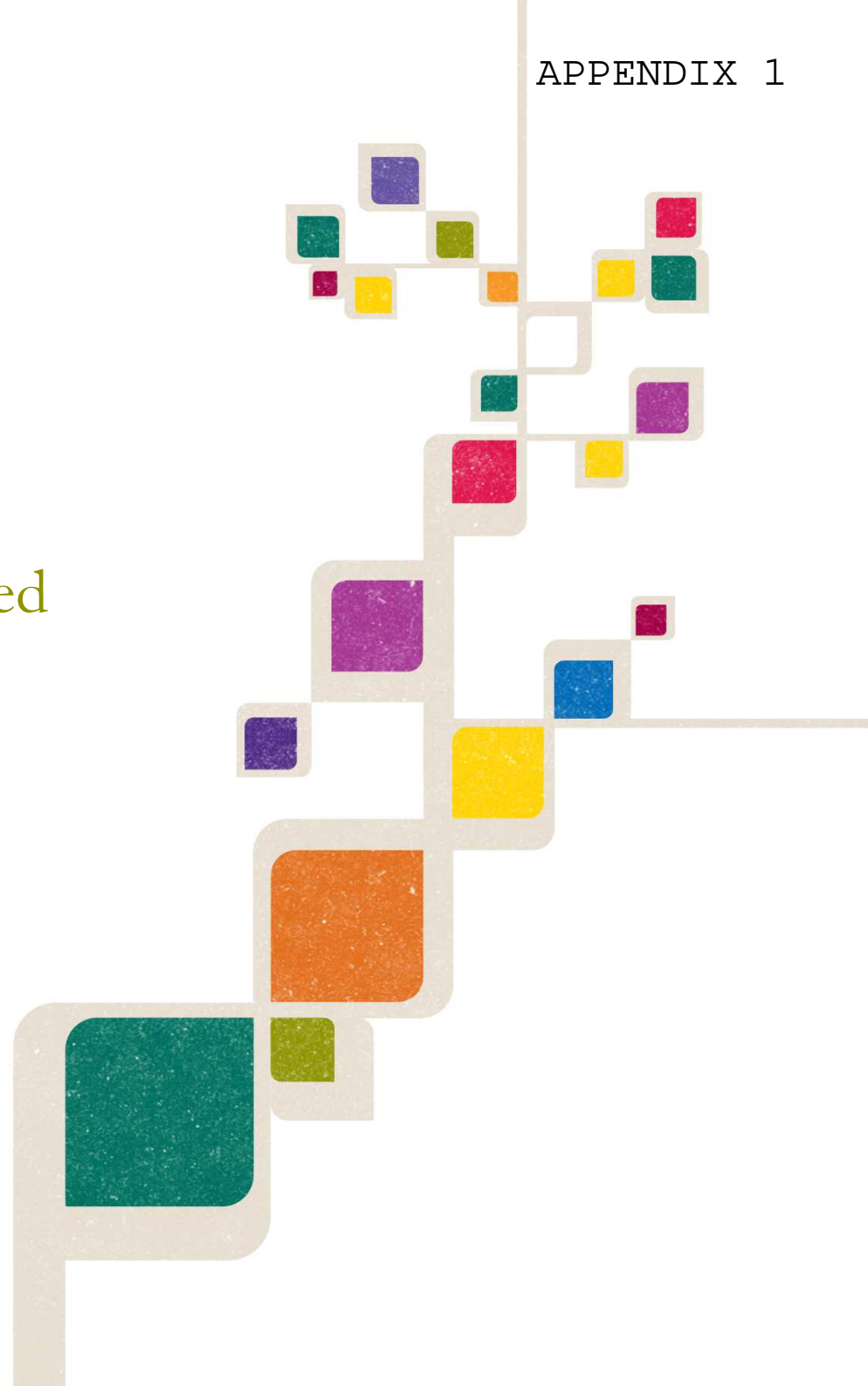
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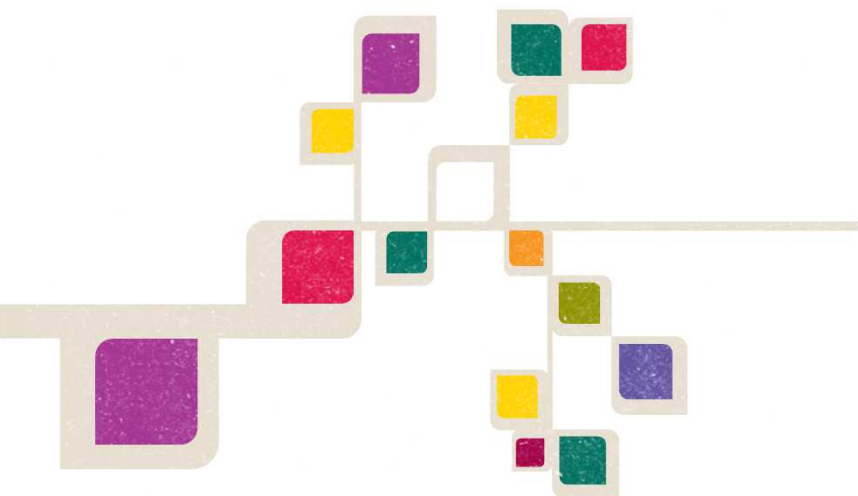
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Introduction

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

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

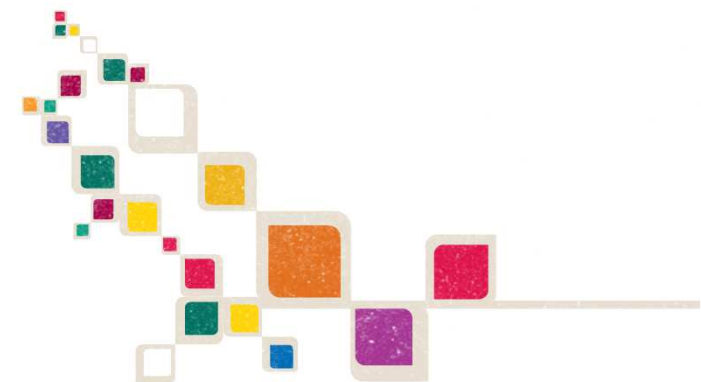
- Advancing closure – the benefits for local authorities (July 2016)
<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>
- Brexit – a public sector perspective (July 2016)
<http://www.grantthornton.co.uk/en/insights/brexit--a-public-sector-perspective/>

Members and officers may also be interested in our recent webinar:

- Cyber security in the public sector: Our short video outlines questions for public sector organisations to ask in defending against cyber crime
<http://www.grantthornton.co.uk/en/insights/cyber-security-in-the-public-sector/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.




Progress at January 2017



 **Progress against plan**
On track

 **Opinion and VfM conclusion**
Issued 28 September 2016

 **Outputs delivered**
Fee letter, Audit Plan, Progress Reports, Audit Findings Report and Annual Audit Letter delivered to plan

2015/16 work

Completed Comments

Audit Findings Report and opinion

Our Audit Findings Report summarises the key findings from the financial statements and value for money conclusion (VfM) work for the year ended 31 March 2016. We were required to report to those charged with governance by 30 September 2016.

September 2016

We issued an Audit Findings Report and presented it at the 29 September 2016 Audit Committee.

An unqualified financial statements opinion, an unqualified VfM opinion and a closure certificate were issued on 29 September 2016.

Annual Audit Letter

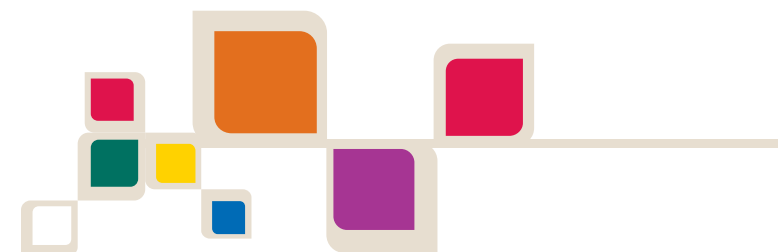
Our Annual Audit Letter summarises the key findings arising from the work that we have carried out for the year ended 31 March 2016. We were required to agree the report with management and provide a copy for all members by 31 October 2016.

October 2016

We issued our Annual Audit Letter in October 2016. The Letter is also included on the agenda for this committee.

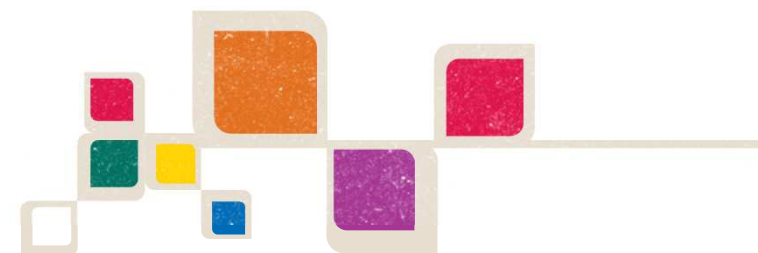
The Annual Audit Letter confirms we issued an unqualified financial statements opinion, an unqualified VfM opinion and a closure certificate on 29 September 2016.

Progress at January 2017



| 2016/17 work | Planned Date | Complete? | Comments |
|---|----------------------|-------------|--|
| Fee Letter | | | |
| We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016. | April 2016 | Yes | The 2016/17 fee letter was issued in April 2016 |
| Accounts Audit Plan | | | |
| We are required to issue a detailed accounts audit plan to the Fire Authority setting out our proposed approach in order to give an opinion on the Fire Authority's 2016/17 financial statements. | March 2017 | In progress | Our audit plan will be reported to the March audit committee. |
| Interim accounts audit | | | |
| Our interim fieldwork visits include: <ul style="list-style-type: none"> • updating our review of the Fire Authority's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. | January – March 2017 | In Progress | Our interim visit has started in January 2017, with expected completion by March 2017. The findings will be reported in the Audit Plan |
| Final accounts audit | | | |
| Including: <ul style="list-style-type: none"> • audit of the 2016/17 financial statements • proposed opinion on the Fire Authority's accounts • proposed Value for Money conclusion. | June – July 2017 | Not started | |

Progress at January 2017



| 2016/17 work | Planned Date | Complete? | Comments |
|--|-------------------|-------------|--|
| <p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2016/17 VfM Conclusion requires conclusions on whether:</p> <p><i>"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</i></p> <p>This change of guidance was issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties | March – July 2017 | Not started | <p>We anticipate carrying out this work during the interim stage of the audit, with the final results reported in the Audit Findings Report.</p> <p>Any areas of significant risk and focus will be informed to you in the Audit Plan.</p> |
| <p>Annual Audit Letter</p> <p>We will summarise all the work completed as part of our 2016/17 audit within one letter which will be issued after the opinion.</p> | October 2017 | Not started | <p>We will issue an Annual Audit Letter to the Authority in line with specified deadlines after the audit of the 2016/17 financial statements.</p> |

Accounting and audit issues





Accounting and audit issues

Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2016/17. The main changes to the Code include:

- the requirement for local authorities to report in the Comprehensive Income and Expenditure Statement on the same basis as they are organised and report in the year (ie. no longer following SERCOP). This is accompanied by the introduction of a new Expenditure and Funding Analysis which provides a reconciliation between the way local authorities budget and report during the year and the Comprehensive Income and Expenditure Statement.

Accounting and audit issues

Flexible use of capital receipts

DCLG has issued a [Direction and Statutory Guidance](#) on the flexible use of capital receipts to fund the revenue costs of reform projects. The direction applies from 1 April 2016 to 31 March 2019.

The Direction sets out that expenditure which 'is incurred by the Authorities that is designed to generate on-going revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners' can be treated as capital expenditure.

Capital receipts can only be used from the disposals received in the years in which the flexibility is offered rather than those received in previous years.

Authorities must have regard to the Statutory Guidance when applying the Direction.

Sector issues



Future Control Room Improvement Government update

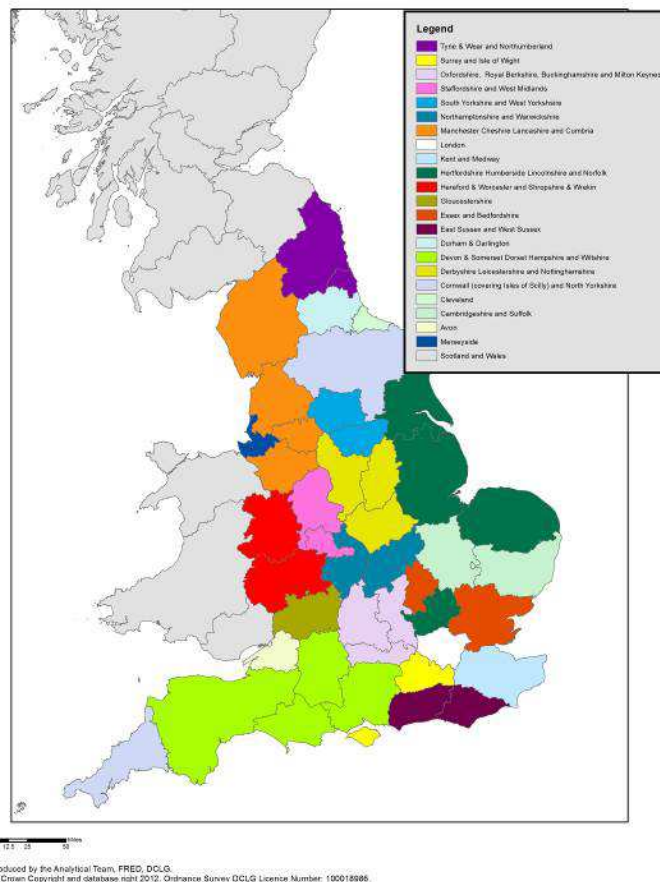
Following the closure of the FiReControl project in December 2010, the Department for Communities and Local Government provided Fire and Rescue Authorities with £81m to deliver improvements to the efficiency and resilience of their fire control rooms.

Published in November 2016, the Future Control Room Improvement report provides a six monthly update on the improvements being delivered by the 22 local Future Control Room projects, setting out delivery dates, resilience benefits, projected savings, and additional benefits the project partnerships have identified.

Six further projects have completed since the December 2015 update, bringing the total number of projects now completed to 18. Four projects remain to be delivered.

Overall, projected savings stand at £141.5 million.

87% of the resilience benefits expected to be delivered by the Scheme, and funded by the grant, are now in place.



The full report can be found at <https://www.gov.uk/government/publications/future-control-room-improvements-fire-and-rescue-authority-schemes-november-2016>

The map across shows:

- i. the project partnerships that have been formed between the fire and rescue authorities; and
- ii. the coverage provided by the completed projects in England, and the coverage that will be provided as the remaining projects complete.

Grant Thornton Publications



Advancing closure: the benefits to local authorities

With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. From 2017/18, authorities will need to publish their audited financial statements by 31 July, with Wales seeking to follow a similar approach over the next few years.

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
- high quality financial statements as a result of improved quality assurance arrangements;
- greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;

- improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
- allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.

While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further detail, including:

- enabling sustainable change requires committed leadership underpinned by a culture for success
- efficient and effective systems and processes are essential
- auditors and other external parties need to be on board and kept informed throughout.

Grant Thornton reports

Grant Thornton
An instinct for growth

Advancing closure
Transforming the financial reporting of
local authority accounts

<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>



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