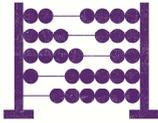


## Limited Assurance Newsletter Spring 2015



### Introduction

Welcome to our first Local Councils' Limited Assurance newsletter.

We are about to commence our third year of reviews under the Limited Assurance regime. Grant Thornton is the appointed auditor to 3,600 local councils, internal drainage boards and other small bodies across 14 counties in England. We are appointed for the five years 2012/13 to 2016/17.

98% of our reviews are local councils, 0.5% are internal drainage boards and 1.5% are other small bodies such as joint committees and charter trustees.

We carry out our work from two centres, Liverpool and Bristol.

### Liverpool

Derbyshire  
Leicestershire  
Nottinghamshire  
Staffordshire  
Warwickshire

### Bristol

Avon  
Cornwall  
Devon  
Gloucestershire  
Herefordshire  
Lincolnshire  
Somerset  
Wiltshire  
Worcestershire

The current permanent Limited Assurance team is:

Contact Partner – Jon Roberts (Birmingham)  
Engagement Lead – Barrie Morris (Bristol)  
Engagement Lead – Mark Heap (Liverpool)  
Senior Manager – Bridget Bowen (Bristol)  
Manager – Ged Small (Liverpool)  
Auditor – Abby Wilkins (Bristol)  
Support – Jo Farr (Bristol)  
Support – Ange Ellison (Liverpool)

Contact details are at the end of this letter.

In the busy review season between May and September our team swells to around 30 people, who are either permanent Grant Thornton team members working in other departments for the rest of the year, or people employed to specifically work on Limited Assurance reviews.

### Contact details – Keeping us up to date

Please let us know any changes of contact details or changes of clerk as soon as they occur.

We are sending out more and more reminders and further guidance by e-mail, and we'd like these to reach as many clerks as possible.

We review Annual Returns in the order in which we receive them, but there is always a backlog when we are very busy in the early summer months.

Therefore it would really help us if you could let us know changes to contact details, including email addresses by contacting us directly, rather than putting a note in with the Annual Return, as we will only find this when we commence our audit work.

Please contact Jo Farr (if your review is done in Bristol) or Ange Ellison (if your review is done in Liverpool) to let them know the new details as soon as they change.

### What you think of our service

We sent out around 3,200 satisfaction surveys with the reviewed annual returns in 2014, and gave you the option to respond by mail, e-mail or online. We had a very good response rate of 37%. A big "Thank You" to all of you who responded, we really appreciate you taking the time.

The results were:

	Question	Average score
1	Overall Satisfaction	9.2
2	Timeliness of Grant Thornton sending information for completion	9.3
3	Clarity of information sent by Grant Thornton	9.1
4a	Timeliness of request for additional information (if contacted by audit team)	8.9
4b	Clarity of request for additional information (if contacted by audit team)	8.8
5	Matters raised helpful and clear (if audit team were contacted)	8.7
6	Satisfaction with contact on any issues	9.1

Other comments received identified what we do well and where we could improve some of our arrangements. Whilst we are happy with these results overall we would like to do more to improve the scores further and address the concerns you have raised with us.

Our focus for improvement will be:

- to take steps to reduce further the number of reviews that are completed in the latter half of September;
- improving out training for new staff;
- continued development of existing staff in the review process, and
- improving communication styles.

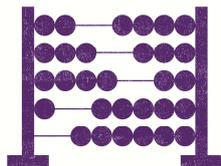
### What does your review look like now?

All councils with any income or expenditure (over £1) are required to complete an Annual Return for this year (2014/15) and the following two years (2015/16 and 2016/17) and submit it to the external auditor.

Councils with any financial transactions are subject to a basic or intermediate review. Intermediate reviews are the same as a basic review but we also test one or more of the assertions made by the council on the Annual Governance Statement at Section 2 of the Annual Return.

From 1 April 2015 smaller councils with income or expenditure under £25,000 are also legally required to comply with the Transparency Code for Smaller Authorities in addition to completing an Annual Return (more about this in the next section). Monitoring compliance with the Transparency Code is not part of the external audit.

Councils with income or expenditure of over £200,000 in the year are required to have an intermediate audit, and 5% of the smaller councils with income and expenditure are also required to have an intermediate review. The selection can be risk based, but this is exceptional. The vast majority of 5% intermediate reviews are selected randomly.



### Transparency Code for Smaller Authorities

The Transparency Code for Smaller Authorities (the code) was issued in December 2014.

The code applies to all smaller authorities with annual income or expenditure not exceeding £25,000.

Information must be published annually and, on the first occasion, not later than 1 July 2015. It follows then that the first set of data to be published by 1 July 2015 must relate to the 2014/15 year.

Smaller authorities should publish:

- a) details of all items of expenditure above £100
- b) end of year accounts
- c) annual governance statement
- d) internal control report
- e) list of councillor or member responsibilities
- f) the details of public land and building assets
- g) minutes, agendas and meeting papers of formal meetings

The code contains details on each type of information to be published. End of year accounts, Annual Governance Statement and internal control report can be published by using the relevant page of the Annual Return completed annually for external review purposes.

The statement of accounts should be accompanied by a copy of the bank reconciliation for the relevant financial year, an explanation for each significant variance and an explanation of any differences between 'balances carried forward' and 'total cash and short term investments, if applicable. This is information that all councils with financial transactions are currently required to produce along with the Annual Return for the external auditor.

Smaller authorities are also required to publish the draft minutes of all formal meetings not later than one month after the meeting has taken place. Meeting agenda and associated meeting papers should be published not later than three clear days before the meeting to which they relate is taking place.

For councils with income and expenditure over £200,000 but less than £6.5m the Local Government Transparency Code 2015 is recommended practice but compliance is not currently a legal requirement.

**The transparency information is not subject to review.**

This change in the nature of accountability for smaller councils is intended to place more power in the hands of citizens and increase democratic accountability.

## What will your review look like in the future?

There is a guide published by DCLG explaining the current and future changes to local government audit and accountability. This is available to download from the DCLG website by following this link:

<http://www.gov.uk/government/publications/transparency-code-for-smaller-authorities>

The key changes are -

### July 2015

Smaller authorities with income and expenditure of less than £25,000 must comply with the Smaller Authorities Transparency Code. This is not subject to review by the appointed external auditor.

The council must also produce their Annual Return which is subject to review.

### Periods commencing after 31 March 2015

The Responsible Financial Officer (RFO) for all councils of any size must set the commencement date for the exercise of public rights rather than the external auditor.

The inspection period increases from 20 working days to 30 consecutive working days which must include the first 10 working days of July.

There is no change to the statutory requirement for the accounts to be approved by the full council by 30 June.

The Annual Return must still be produced and sent to the external auditor for review.

### 2017/18

Councils will be able to appoint their own auditor.

There will be a sector led body or bodies (not yet formed) that will appoint an external auditor to councils unless a council opts out of these arrangements.

Smaller authorities with income and expenditure of less than £25,000 will no longer require an external review. However they must still appoint an external auditor to deal with any objections raised.

### Internal audit

There are **no** changes to the requirement to have an annual independent internal audit.

## Outcome of 2013/14 reviews – Common reasons for qualifications

The top five most common qualifications to limited assurance reports are:

- Late approval of Section 1 – the accounting statements (approved by council after 30 June)
- Risk assessment – either absent, inadequate or not properly documented
- System of internal control – either inadequate, not properly documented, reviewed or updated
- Internal auditor is not independent of the council
- Electors' Rights were not properly provided for by the council

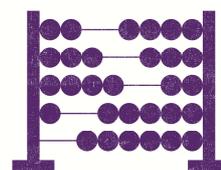
## How to avoid additional fees

We try to keep the cost of our reviews to a minimum whilst maintaining appropriate high quality. However, where we are required to do work that is beyond our standard procedures, the costs must be paid for by the organisations to which they relate. Last year, for over 90% of reviews, no additional charges were made.

Additional fees are charged when:

- a) Annual returns are not submitted for review on time and we have to spend time contacting councils to find out what has happened;
- b) Not all the correct information requested is supplied with the Annual Return when it is submitted for review;
- c) Sending Annual returns back when they have not been completed correctly;
- d) Significant amounts of additional review time are required to obtain assurance over large and unusual transactions;
- e) Matters have come to our attention (from any source be it an elector, any other person who contacts us or our own review work) that requires additional review work;
- f) External auditors are required to exercise their statutory functions.

In 2013/14 we charged additional fees to 345 (less than 10%) of reviewed bodies. Over 80% of the additional fees charged were £50 or less.



## Information required for review

This is listed in Section 4 of your "What to do now" booklet.

### All Reviews

All councils with financial transactions are required to submit the following information for review:

- a) a fully completed 2015 Annual Return (Section 1, 2 and 4);
- b) your financial year-end bank reconciliation at 31 March 2015;
- c) quantified explanations for significant variances (greater than 15%) in the figures from last year to this year;
- d) quantified explanations for any difference between box 7 and box 8 on section 1 (if applicable)
- e) explanations for any statement in Section 2 to which the response is "no" and a note of the action the council intends to take;
- f) full explanations for any "no" or "not covered" responses in Section 4;
- g) details of earmarked reserves held by the council at 31 March 2015.

### Intermediate reviews

Councils that require an intermediate review have been provided with a "What to now" booklet that has "Intermediate audit" printed on the front cover.

There is a list of additional information we require for our intermediate review on the last page of these "What to do now" booklets.

## The new Practitioners' Guide

The Practitioners' Guide is essential reading for all clerks and RFO's.

The latest version of the NALC /SLCC publication Governance and Accountability for Local Councils – A Practitioners' Guide (England) was published in March 2014. The guide contains the proper practices within the meaning of the legislation set out in the Accounts and Audit Regulations in relation to the accounts, governance and internal controls at local councils in England. Within the proper practices set out in the Practitioners' Guide the word "must" means there is a specific legal or regulatory requirement affecting local councils. To assist practitioners those sections that contain a legal or regulatory requirement are in bold type. "**Must**" is a requirement that is essential and auditors will report where there are instances of non-compliance.

The 2014 Practitioners' Guide contains updated guidance including, amongst other things, the risks and internal controls to be considered following the repeal of s150 of the Local Government Act 1972 which now allows councils to make payments by methods other than by cheque signed by two councillors, accounting for fixed assets and investments, PAYE, review of internal audit and treatment of deferred grants.

## Notice of Appointment of date for the Exercise of Electors' Rights

The Notice of Appointment of date for the Exercise of Electors' Rights must be displayed at least six weeks before the audit date, if all the required criteria are to be met.

We have set audit dates between 25 May 2015 and 6 July 2015. These dates can be changed with agreement from the appointed external auditor. The latest date by which you must display the Notice in order to meet the requirements is below:

Audit date	Date by which Notice must be displayed
25 May 2015	10 April 2015
1 June 2015	16 April 2015
8 June 2015	24 April 2015
15 June 2015	1 May 2015
22 June 2015	8 May 2015
29 June 2015	18 May 2015
6 July 2015	25 May 2015

If you have missed the date by which you should have displayed your notice, please contact Jo Farr if your review is carried out at Bristol, or Ange Ellison if your review is carried out at Liverpool to arrange a later date. Contact details are at the end of this letter.

### Internal Audit - timing

Independent internal audit need not be undertaken after 31 March. Although the Annual Return is not sent to the councils before mid March, most of the internal audit work can be undertaken before then.

However Councils must ensure that the controls and systems were in place for the throughout the financial year and therefore internal auditors should have regard to the year end when completing their audit work..

Section 4 of the Annual Return can only be completed by the Internal Auditor when it is available. Section 4 would normally be signed by the internal auditor before Section 2 – the Annual Governance Statement is approved by the council. If this is not possible, the council must consider what internal audit arrangements are in place and what internal audit procedures have been undertaken during the year in order to gain the appropriate assurances to assertions 2, 6 and 7 on Section 2 – the Annual Governance Statement.

If councils are approving the Annual Governance statement at Section 2 of the Annual Return before Section 4 of the Annual Return has been completed by the internal auditor, the council should have regard to what it is relying on if it intends to answer "yes" to assertion 6 on Section 2. Assertion 6 is the assertion that the council has maintained throughout the year an adequate and effective system of internal audit of the councils accounting records and control systems.

## **Council Tax Support Grant (CTSG)**

Council tax support grant (CTSG) is paid by many district and borough councils at the same time as the precept.

CTSG should be recorded on the Annual Return in box 3 (other income). Only the precept should be recorded in box 2 (precept).

In 2013/14 some 900 Annual Returns reviewed by Grant Thornton (28%) had CTSG recorded incorrectly in Box 2 on the Annual Return. This was reported as an "other matter" in the report at Section 3 of the Annual Return.

If you were one of the councils who didn't get it right last year we will have asked you to restate the 2014 figures on the 2015 Annual Return. If you make the same mistake again for 2015 onwards we will be required to issue a qualified report as the council would not have taken appropriate action on matters raised in external reports (assertion 7 on Section 2 of the Annual Return).

If you don't know how much CTSG was paid to your council for 2014/15 you should contact your district or borough council and they will be able to tell you.

## **Fixed assets values**

Proper practices as set out in the Practitioners' Guide state that fixed assets must be recorded on the Annual Return at purchase cost. Once recorded on the asset and investment register, the recorded value of assets and investments must not change from year to year until disposal.

As we all know, councils often have assets, such as land or buildings, that they have owned for a for a very long time and the purchase cost is not known. In these circumstances a proxy cost should be substituted, for instance the insurance value of the asset at the time of first recording as a proxy. Whether actual or proxy cost is used, for accounting purposes the cost recorded must not change until the asset is disposed of. Commercial concepts of depreciation, impairment adjustments etc are not appropriate for local councils.

Although fixed assets must be recorded at purchase cost on the Annual Return it is likely that it will be necessary to record other fixed asset valuations such as insurance value or replacement value in the asset register to enable the council to properly manage its assets.

Auditors do not always know from the information we request on what basis fixed assets are valued on the Annual Return. However, when we do have this information it is very common for us to discover that fixed assets have been incorrectly recorded at a value other than purchase cost. When this happens we raise this in our report as an "other matter not affecting our opinion". The council must change the basis of valuation to purchase cost (or proxy if not known) on the next Annual Return and restate the previous year's figures too. The restated figures should be clearly marked as "RESTATED" on the face of the Annual Return.

In the 2014 we found over 150 instances where fixed assets had been incorrectly valued on the Annual Return.

## **Grant Thornton – seminars**

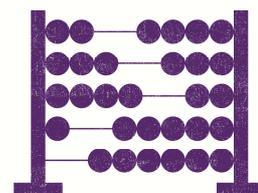
A successful programme of 12 seminars was completed between February and May 2015. Some were held in our own offices and nine were out on site at county associations. Representatives from over 275 councils attended.

Our intention is to try to increase attendance at our seminars next year as we believe that attendance lowers a council's risk of incurring additional fees and qualifications.

We will be running another programme in Spring 2016 – please contact your local CALC or us if you would be interested in attending.

Topics include –

- Recent changes to legislation
- Future of Local Government Audit
- Feedback on the audit process in 2015
- Common problems with the audit process



## Help sheets

Grant Thornton has written help sheets on the following topics.

### 1. Risk assessment

<http://www.grant-thornton.co.uk/Documents/01-risk-assessment-help-sheet.pdf>

### 2. Fixed asset values

<http://www.grant-thornton.co.uk/Documents/02-fixed-assets-values-help-sheet.pdf>

### 3. Public Works Loan Board balances

<http://www.grant-thornton.co.uk/Documents/03-public-works-loan-board-help-sheet.pdf>

### 4. Bank reconciliations

<http://www.grant-thornton.co.uk/Documents/04-bank-reconciliation-help-sheet.pdf>

### 5. Explanations of variances

<http://www.grant-thornton.co.uk/Documents/05-explanation-of-variances-help-sheet.pdf>

### 6. Council Tax Support Grant

<http://www.grant-thornton.co.uk/Documents/06-council-tax-support-grant-and-precept-help-sheet.pdf>

### 7. Internal audit

<http://www.grant-thornton.co.uk/Documents/07-internal-audit-help-sheet.pdf>

### 8. Reconciliation between Box 7 and Box 8

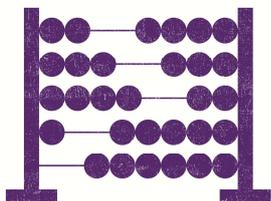
<http://www.grant-thornton.co.uk/Documents/08-reconciliation-between-7-and-8-help-sheet.pdf>

### 9. PAYE

<http://www.grant-thornton.co.uk/Documents/09-payee-help-sheet.pdf>

### 10. Investments

<http://www.grant-thornton.co.uk/Documents/10-investments-help-sheet.pdf>



## Scale of Audit Fees

The scale of audit fees was set by the Audit Commission (replaced by Public Sector Appointments Ltd from 1 April 2015) and published in "Audit of Small Bodies – Scale of fees 2012/13 to 2016/17".

Your audit fee will be based on the greater of total income and total expenditure in accordance with the published scale of fees:

The income / expenditure band is the higher of income or expenditure in each audit year.

Total income is the total of boxes 2 and 3; total expenditure is the total of boxes 4, 5 and 6, as recorded on Section 1 of the Annual Return.

Income/expenditure band (£)	Fee for limited assurance audit (£)
0 – 10,000	No fee payable
10,001 – 25,000	100
25,001 – 50,000	200
50,001 – 100,000	300
100,001 – 200,000	400
200,001 – 300,000	600
300,001 – 400,000	800
400,001 – 500,000	1,000
500,001 – 750,000	1,300
750,001 – 1,000,000	1,600
1,000,001 – 2,000,000	2,000
2,000,001 – 3,000,000	2,400
3,000,001 – 4,000,000	2,800
4,000,001 – 5,000,000	3,200
5,000,001 – 6,500,000	3,600

## KEY DATES

### Accounts and Audit Timetable

#### 31 March 2015

Financial year end – accounts to be prepared for completion of Section 1 of the Annual Return.

#### 9 to 13 March 2015

Annual Returns and related paperwork sent to councils

#### 25 May to 6 July 2015

Audit dates initially set by Grant Thornton.

(If you can't meet your audit date please contact us to arrange another)

#### 30 June 2015

Final date for approval of the Annual Return by a meeting of the full council.

#### 30 September 2015

Display the audited or unaudited Annual Return.

## Grant Thornton Limited Assurance Team

Our contact details:

### Bristol

Hartwell House  
55 – 61 Victoria Street  
Bristol  
BS1 6FT

Reception  
0117 305 7600

Bridget Bowen – Senior manager (Bristol)  
[bridget.bowen@uk.gt.com](mailto:bridget.bowen@uk.gt.com)  
0117 305 7890

Abby Wilkins – Auditor (Bristol)  
[abby.h.wilkins@uk.gt.com](mailto:abby.h.wilkins@uk.gt.com)  
0117 305 7825

Jo Farr – Administrative support (Bristol)  
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0117 305 7879

### Liverpool

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Royal Liver Building  
Liverpool  
L3 1PS

Reception  
0151 224 7200

Ged Small – Manager (Liverpool)  
[ged.w.small@uk.gt.com](mailto:ged.w.small@uk.gt.com)  
0161 214 6372

Ange Ellison – Administrative support (Liverpool)  
[angela.j.ellison@uk.gt.com](mailto:angela.j.ellison@uk.gt.com)  
0161 214 6390

## Local County Association E-mail Addresses

### Liverpool reviews

#### Derbyshire

[chiefofficer@derbyshirealc.gov.uk](mailto:chiefofficer@derbyshirealc.gov.uk)

#### Leicestershire and Rutland

[admin@leicestershireandrutlandalc.gov.uk](mailto:admin@leicestershireandrutlandalc.gov.uk)

#### Nottinghamshire

[hilary.gibbins@nottsalc.org.uk](mailto:hilary.gibbins@nottsalc.org.uk)

#### Staffordshire

[spca.parish@staffordshire.gov.uk](mailto:spca.parish@staffordshire.gov.uk)

#### Warwickshire and West Midlands

[enquires@walc.org.uk](mailto:enquires@walc.org.uk)

### Bristol reviews

#### Avon

[countysec@avon-lca.org.uk](mailto:countysec@avon-lca.org.uk)

#### Cornwall

[enquiries@cornwallalc.gov.uk](mailto:enquiries@cornwallalc.gov.uk)

#### Devon

[info@devonalc.org.uk](mailto:info@devonalc.org.uk)

#### Gloucestershire

[advice@gaptc.org.uk](mailto:advice@gaptc.org.uk)

#### Herefordshire

[lynda@halchereford.gov.uk](mailto:lynda@halchereford.gov.uk)

#### Lincolnshire

[trisha.carter@lalc.co.uk](mailto:trisha.carter@lalc.co.uk)

#### Somerset

[info@somerset-alc.org.uk](mailto:info@somerset-alc.org.uk)

#### Wiltshire

[office@wiltshire-alc.org.uk](mailto:office@wiltshire-alc.org.uk)

#### Worcestershire

[info@worcsalc.org.uk](mailto:info@worcsalc.org.uk)

**Useful web addresses:**

**Audit Commission archived website**

<http://www.audit-commission.gov.uk>

**NALC Home**

<http://www.nalc.gov.uk/>

**SLCC Home**

<http://www.slcc.co.uk/>

**NALC Practitioners Guide**

<http://www.nalc.gov.uk/library/publications/803-governance-and-accountability-with-appendix/file>

**Smaller Authorities Transparency Code**

<http://www.gov.uk/government/publications/transparency-code-for-smaller-authorities>

**Local Government Transparency Code 2015**

[http://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/408386/150227\\_PUBLICATION\\_Final\\_LGTC\\_2015.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/408386/150227_PUBLICATION_Final_LGTC_2015.pdf)

**What to do now - Basic audits**

<http://www.grant-thornton.co.uk/Documents/What-to-do-now-Councils-Basic-2015.pdf>

**What to do now - Intermediate audits**

<http://www.grant-thornton.co.uk/Documents/What-to-do-now-Councils-Intermediate-2015.pdf>

**Changes to the smaller authorities' local audit and accountability framework: a guide**

[http://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/411617/Changes\\_to\\_the\\_smaller\\_authorities\\_local\\_audit\\_and\\_accountability\\_framework\\_a\\_guide\\_2\\_.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/411617/Changes_to_the_smaller_authorities_local_audit_and_accountability_framework_a_guide_2_.pdf)

**Public Works Loan Board – year end balances**

<http://www.dmo.gov.uk/>

NB Town and parish councils are on the "England – minor authorities sheet". The balance outstanding at 31 March 2015 is column J.