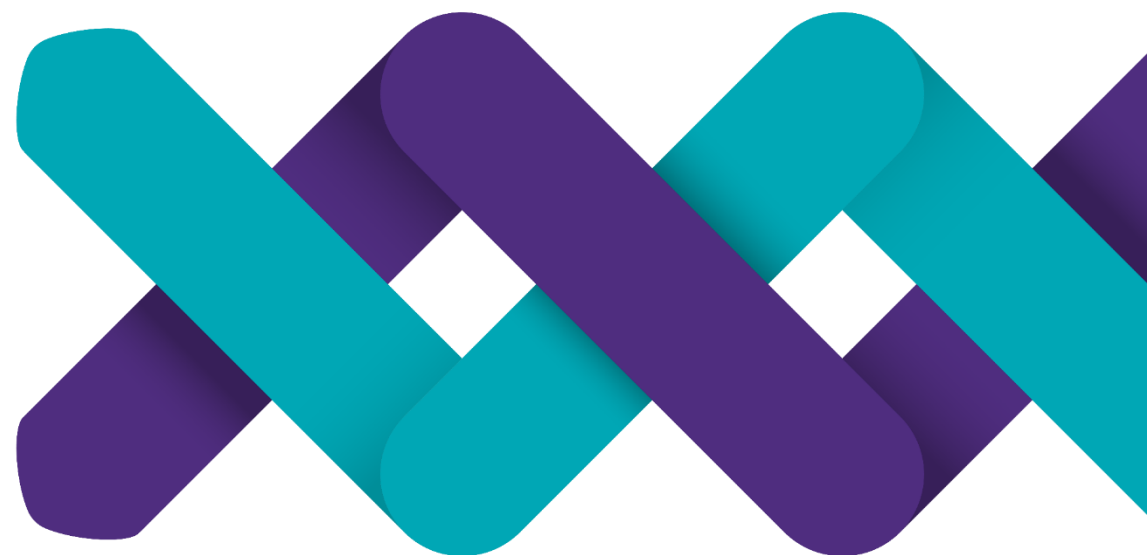


Audit Progress Report and Sector Update

Kirklees Metropolitan Council
Year ending 31 March 2019

17 May 2019



Contents

Section	Page
Introduction	3
Progress at 8 May 2019	4
Audit Deliverables	5
Interim audit findings	6
IT General Controls – Action Plan	8
Sector Update	11
Links	19
Appendix A – Grant Thornton’s External Audit Commitment	20

Introduction



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This paper provides the Corporate Governance and Audit 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.

Members of the Corporate Governance and Audit 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. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.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

Kirklees 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 8 May 2019

Financial Statements Audit

We presented our Audit Plan to the Corporate Governance and Audit Committee at its meeting on 8 March 2019 and we are now planning for our detailed audit of the Council's financial statements.

We have completed our interim audit work which took place between January and March 2019.

Our interim audit work included::

- Understanding and review of the Council's control environment
- Understanding and documentation of the Council's financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

The findings from our interim audit work is included on pages 6 to 8.

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

The final accounts audit is due to begin on the 31 May with findings reported to you in our Audit Findings Report. We will present our report at the July Corporate Governance and Audit 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 were included in our Audit Plan. We identified two significant Value for Money risks:

- **Financial sustainability** – delivery of the 2018-19 budget and savings plan and achievement of Medium Term Financial Plan (MTFP)
- **Children's Services** – progress against Action Plan in response to OFSTED recommendations.

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 meet with senior officers (CEx and CFO) 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.

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.

We held a Yorkshire based 'Audit Committee Chairs' event in February and will shortly be sharing the presentation slides from the event with you.

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
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Corporate Governance and Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	Outline plan - January 2019 Detailed Plan - March 2019	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	April 2019	Complete Included in this report
Audit Findings Report The Audit Findings Report will be reported to the July corporate Governance and Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due

Council responsibilities

In our Audit Plan presented to the Corporate Governance and Audit Committee in March 2019 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.

Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • organisational structure • participation by those charged with governance • objectives and strategy • control environment • risk assessment processes • monitoring of controls • information and communication • financial reporting communications process 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>
Review of information technology controls	<p>Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>A number of weaknesses were identified within the IT environment, including the following significant risk</p> <ul style="list-style-type: none"> • SAP user rights – privileged access rights are not appropriate, with 15 'superusers' identified as being granted powerful permissions that allows users to create other users and assign profiles to them and allows users access to all SAP functionality and the ability to bypass SAP Authorisations. 	<p>Our review confirmed your organisational controls are effective overall but there are some weaknesses within the IT environment.</p> <p>These weaknesses are consistent with those reported by your predecessor auditors.</p> <p>An action plan is being agreed and is attached on page 8-10.</p> <p>In view of these issues we are not intending to place reliance on automated controls in our audit testing.</p>

Results of Interim Audit Work (continued)

	Work performed	Conclusions and recommendations
Walkthrough testing	<p>We carry out walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements including: PPE, Net Pension Liability and Operating Expenditure.</p> <p>To date we have carried out walkthrough testing on the following significant operating expenditure systems and subsystems:</p> <ul style="list-style-type: none"> • Accounts payable system • Schools subsystem • Domiciliary Care subsystem • Residential care subsystem <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding</p>	Our work has not identified any weaknesses which impact on our audit approach.
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>We will select a sample for testing 'unusual' journal entries as part of our final accounts audit visit.</p>	Our work to date has not identified any weaknesses which impact on our audit approach.
Early Substantive testing	<p>We have carried out substantive testing in the following areas:</p> <ul style="list-style-type: none"> • Payroll testing - covering 12 months of 2018/19 • Operational Expenditure testing for months 1-11 of 2018/19 • Existence and Rights and Obligations testing for <ul style="list-style-type: none"> - PPE (including Housing) - Investment Properties - Heritage Assets 	Our work to date has not identified any weaknesses which impact on our audit approach.

Action Plan – IT General Controls

	Issue and Risk	Recommendation and Management Response
1	<p>● SAP User access rights</p> <p>The users that have been granted privileged access rights are not appropriate. As an example, 15 users are granted a powerful permission that allows users to create other users and assign profiles to them and allows users access to all SAP functionality. The users are The BASIS support team and 6 Generic accounts which by their nature do not have traceability as they are not allocated to individuals.</p> <p>There are other transactions which allow users to perform actions which bypass the SAP authorisation concept and allow unauthorised access.</p> <p>Access to the privileged transactions allows users full access to SAP functionality, which could give virtually full system rights, bypassing the SAP Authorisation concept.</p>	<p>Recommendation</p> <ul style="list-style-type: none"> • Management should ensure where the support team require access to the system, this access is monitored and granted appropriately. • Generic accounts used by third party users should be locked and access granted on an “as needed basis”. • Review of all privileged accesses should be undertaken and assigned only to users with a business need or removed. Since the audit a review has been carried out and is ongoing to identify users who require privileged access. <p>Management Response</p> <p>The SAP_ALL and SAP_NEW profiles have been removed from all dialogue accounts.</p> <p>Generic accounts used by third parties have been locked and will be unlocked when suppliers request access. All activity for those accounts will be logged and monitored.</p> <p>A review of users with privileged access is taking place. Access to the high risk transactions listed will be removed.</p>
2	<p>● Firefighter ID's</p> <p>The Council does not currently utilise firefighter ID's, to assist in the provision of support in the SAP environments. A Firefighter ID is a temporary user ID that grants the user exception-based, yet regulated access to perform tasks in an emergency or extraordinary situation. The 'Versa' firefighter application tracks, monitors and logs of all activity each Superuser performs under the privileged user ID.</p> <p>The current arrangement of not using temporary firefighter IDs creates a risk that the mode of change may be used inappropriately potentially leading to program instability or unauthorised changes to data.</p>	<p>Recommendation</p> <p>Management should adopting the use of Firefighter ID's in the various SAP environments.</p> <p>Management Response</p> <p>The concept of Firefighter IDs and roles, along with Versa, is part of the SAP Governance, Risk and Compliance (GRC) module which is not implemented in Kirklees Council.</p> <p>However we acknowledge that the concept of using restricted accounts with a high level of access for critical support issues is good practice. The BASIS team will be assigned elevated access accounts to be used on an exception basis when required. The activities of these accounts will be logged and monitored.</p>

	Issue and Risk	Recommendation and Management Response
3	<p>● IT developers have access rights to production client</p> <p>There are 7 users who can make changes to customised objects directly in the production environment and 10 users who have access to USR02 and DEVACCESS.</p> <p><i>Developers with access to the production environment are able to make changes directly in the production environment, bypassing the change management process and with the absence of user activity logging, changes made may go undetected.</i></p>	<p>Recommendation</p> <p>The change management process include restricting access to developers who can make changes directly in the production environment. This in conjunction with using access logging would prevent any unauthorised changes being implemented without the correct approvals</p> <p>Management Response</p> <p>Access to make changes directly in production will be removed from all staff. All users involved in change activities will have activity logged and monitored.</p>
4	<p>● Logging of user activities using SCC4 has not been turned on</p> <p>The setting of 'rsauenable' has not been turned on in the SAP master settings, this is the security log which enables the following activities to be recorded.</p> <ul style="list-style-type: none"> • Successful and unsuccessful RFC logon attempts • Successful and unsuccessful dialog logon attempts • RFC calls to function modules • Changes to user master records • Successful and unsuccessful transaction starts • Changes to the audit configuration <p>Where the SAP support team are allocated, as 'standard', SAP_ALL, the activities are not monitored and trackable.</p> <p><i>Where activities are undertaken without the ability to identify who has performed them, what they have done and why they were processed, fraudulent or unauthorised transactions could be made within the system.</i></p>	<p>Recommendation</p> <p>The SCC4 logs should be turned on and regular formal reviews of the logs should be undertaken by a suitably qualified and experienced person. It is understood that since the audit has been performed, management has turned the logging function on for this control.</p> <p>Management Response</p> <p>SCC4 is the transaction used to manage clients within a SAP system and is not related to security logs.</p> <p>SAP security logs are configured in SM19 and analysed in SM20. The parameter "rsau/enable" has been set, and security audit logging has been enabled in SM19 for all users.</p> <p>A monitoring strategy for SAP users with elevated access will be developed and implemented.</p>
5	<p>Idle Login Sessions within Northgate</p> <p>Login sessions within Northgate have an automated logout which disconnects after a period of 3 hours of inactivity.</p> <p><i>a) Misuse of unattended login sessions by other valid users of the system, leading to loss of accountability of actions performed.</i></p> <p><i>b) Misuse of unattended login sessions by unauthorized personnel, leading to unauthorized data disclosure or data tampering</i></p>	<p>Recommendation</p> <p>Idle login sessions within Northgate should automatically terminate after a predefined, risk-based period of inactivity has elapsed (e.g., 15 minutes).</p> <p>Management Response</p> <p>Recommendation to Customer & Exchequer Senior Management Team to reduce Idle Login Sessions within Northgate from 3 hours. Once agreed setting will be updated on the Server by Technical Infrastructure.</p>

	Issue and Risk	Recommendation and Management Response
6	<p>● Automated Notifications of Leaver and Mover Activity</p> <p>Security administrators of SAP, Northgate and Active Directory were not being provided automated, proactive notifications of anticipated HR mover and leaver activity, nor were they being provided automated per-occurrence notifications of unanticipated HR mover and leaver activity. It is understood that the introduction of AD Manager which was undergoing UAT testing at the time of the review should be implemented shortly.</p> <p>a) Access to information resources and system functionality may not be restricted on the basis of legitimate business need</p> <p>b) Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls</p> <p>c) Terminated employees may continue to access information assets through enabled, no-longer-needed user accounts</p> <p>d) Revocation of access rights may not be performed accurately, comprehensively, or on a timely basis</p>	<p>Recommendation</p> <p>Security administrators of Northgate and Active Directory should be provided with:</p> <p>(a) timely, proactive notifications from HR of leaver and mover activity for anticipated activity; and</p> <p>(b) timely, per-occurrence notifications for unanticipated mover and leaver activity.</p> <p>Security administrators of Northgate and Active Directory should then use these notifications to either:</p> <p>(a) end-date user accounts associated with anticipated leavers or</p> <p>(b) immediately disable user accounts associated with unanticipated leavers. These security administrators should then use these notifications amend and/or remove logical access belonging to movers and leavers.</p> <p>Management Response</p> <p>AD Manager has been running approximately behind schedule. The process for the disabling the AD accounts has been set up based upon the current SAP report and prior to 'go live' for AD manager the process is manual and monthly.</p>
7	<p>● Reviews of Information Security Logs Created by Northgate and Active Directory</p> <p>Logs of information security activity within Northgate and Active Directory were not being formally, proactively, and routinely reviewed.</p> <p>Without formal, proactive, and routine reviews of security event logs, inappropriate and anomalous security activity (e.g., repeated invalid login attempts, activity violating information security policies) may not identified and addressed in a timely manner.</p>	<p>Recommendation</p> <p>Logs of information security events (i.e., login activity, unauthorized access attempts, access provisioning activity) created by these systems should be proactively, formally reviewed for the purpose of detecting inappropriate or anomalous activity. These reviews should ideally be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.</p> <p>Management Response</p> <p>Post Year end processing on Northgate for Council Tax, Business Rates and Benefits we will work with Northgate to identify opportunities to audit unauthorised access / activity. There are additional plans in the Service to undertake a full review of user access levels.</p>

●	Significant Deficiency - risk of significant misstatement
●	Deficiency - risk of inconsequential misstatement

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:

Public Sector

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.

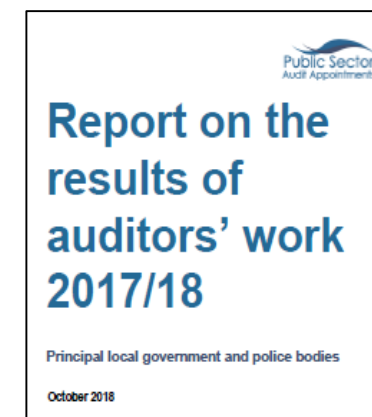
The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

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



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.

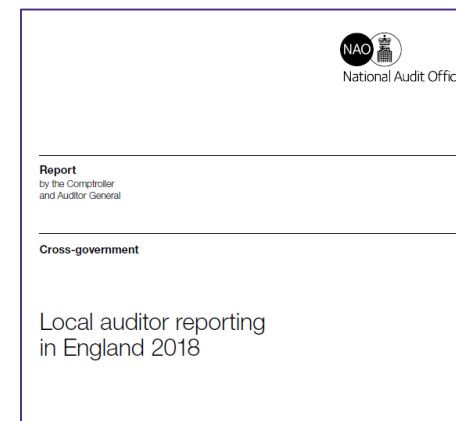
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 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/>



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

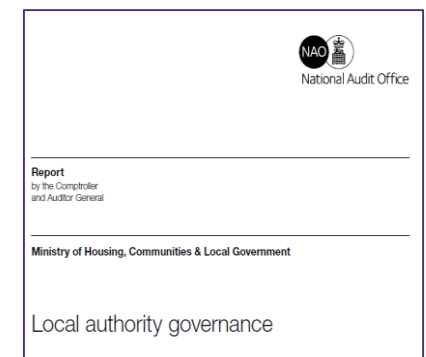
Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities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



National Audit Office – Planning for new homes

The National Audit Office (NAO) has recently published a report on *Planning for new homes*. This report is part of a series on housing in England, including *Housing in England: overview (2017)* and *Homelessness (2017)*. The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes a year on average.

The report recognises that increasing the supply of new homes is a complex task and one of the measures MHCLG has introduced to help achieve the objective is reforming the planning system. The report notes that the planning system is fundamental to providing new homes and it assesses how effectively MHCLG supports the planning regime to provide the right homes in the right places through:

- supporting local authorities to produce plans for how the supply of new homes will meet need in their area;
- supporting local authorities and the Planning Inspectorate in having effective and sufficiently resourced planning processes and teams to deal with planning applications and appeals; and
- working effectively with local authorities, other government departments and developers to ensure infrastructure to support new homes is planned and funded.

The report finds that at present, the system is not providing value for money and that the supply of new homes has failed to meet demand. It notes that a number of factors have contributed to the planning system not working and some of these include:

- the process of setting the need for new homes;
- the reductions in local authority capability;
- the under-performing Planning Inspectorate; and
- failures in the system to ensure adequate contributions for infrastructure.

The report recognises that MHCLG's new National Planning Policy Framework is an important step, but it is too early to tell whether the changes it introduces will be effective. The report also makes a number of recommendations for MHCLG to implement alongside the framework to help the planning systems work more effectively.

The report concludes that the Department and government more widely need to take this much more seriously and bring about improvement if they are to meet their ambition of 300,000 new homes per year by the mid-2020s.

The report is available on the NAO website:

<https://www.nao.org.uk/report/planning-for-new-homes/#>



National Audit Office – Pressures on children’s social care

The Local authorities in England have statutory responsibility for protecting the welfare of children and delivering children’s social care. In extreme cases they may use their statutory powers to place children in need on protection plans or even take them into care. Local authorities are also responsible for delivering non-statutory services for all children and young people, such as children’s centres. The Department for Education (the Department) provides statutory guidance on delivering these functions. It also has overall policy responsibility for children’s services, and has the strategic vision that all vulnerable children, no matter where they live, should have access to high-quality support by 2022.

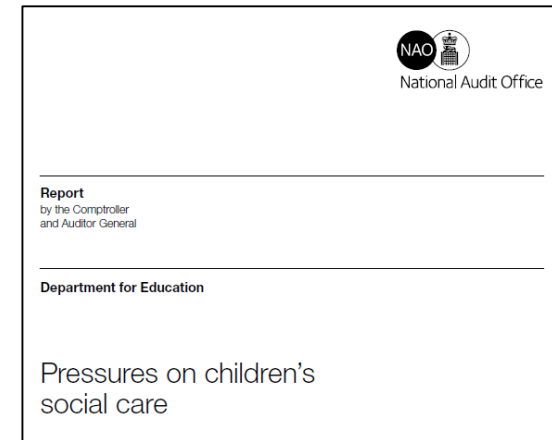
The report sets out recent trends in pressures on children’s social care demand and activity and the response of both national and local government to these pressures. It also sets out analysis the NAO conducted about what is causing variations in children’s social care demand and activity between different local authorities. The report covers:

- the pressures on children’s social care;
- the response of national and local government to increasing demand for children’s social care; and
- NAO analysis of what is causing variations in demand for children’s social care between local authorities.

The report notes that, while the Department has put in place a programme of reform, it still does not fully understand what is driving demand for children’s social care or why there is such wide variation between local authorities in their children’s social care activity and costs. It has not yet done the work to tie together available sources of information and therefore lacks a well-informed pathway to achieve its goal. While the Department has recognised the need for this analysis, it will not complete the work until summer 2019. Even if its analysis is completed successfully it will be a tall order for the Department to achieve its goal within three years.

The report is available on the NAO website:

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>



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 – Social Care risk tool

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Directors of Adult Social Services' (ADASS) have updated the Social Care Risk Tool; an advisory risk assessment tool for discretionary use by councils with adult social care responsibility.

The tool's objective is to help authorities assess whether unsustainable financial pressures might be faced by the adult social services department. It seeks to do this by assessing the extent to which various risk factors apply. This is the third version of the risk tool and it has been expanded to include new risks that have emerged since the previous version. In addition, a number of risks have been revised to make them clearer.

The risk assessment adopts a survey format and covers the following areas:

- savings;
- local pressures; and
- culture and relationships.

Each of the areas above includes a series of questions (or indicators), and authorities are required to assess whether the indicators are strongly present (score of 5); only present to some extent (scores 2 to 4); or not at all (score of 1). The total score helps to give an indication of where the authority lies. The maximum score is 195 (there are 39 questions altogether) which represents the highest risk possible. Some of the metrics (particularly those relating to unit costs) are more illustrative than prescriptive and local authorities may wish to adjust these to reflect their local circumstances.

To download the tool:

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>



Links

Grant Thornton

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

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

National Audit Office

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

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

<https://www.nao.org.uk/report/planning-for-new-homes/#>

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>

Ministry of Housing, Communities and Local Government

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

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/>

CIPFA

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>

Local Government audits 2018/19 and beyond

Grant Thornton's External Audit commitment

Audit 2018/19

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 in Local Government

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 AQR

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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