



Local Council Audits – 2015/16

Grant Thornton

Today

- Grant Thornton
- Limited Assurance Audit
- Future of Local Government Audit
- Practitioners' Guide
- 2014/15 Audit feedback

- Audit process

Grant Thornton UK LLP

- Grant Thornton is the largest supplier of audit services to the public sector in the UK
- Appointed auditors to 40% of principal NHS and Local Government audits across the South and West of England.
- Appointed to around 40% of Limited Assurance audits

Grant Thornton – Limited assurance

- Grant Thornton are appointed auditors for 14 counties in England
- 6 counties are audited from our Liverpool office

Derbyshire

Leicestershire

Lincolnshire

Nottinghamshire

Staffordshire

Warwickshire

- 8 counties are audited from our Bristol office

Avon

Cornwall

Devon

Gloucestershire

Herefordshire

Somerset

Wiltshire

Worcestershire

Grant Thornton – Limited Assurance Audit



Grant Thornton UK LLP

- Grant Thornton Limited Assurance audit team:

Bristol

- Jon Roberts CPFA (Contact Partner)
- Barrie Morris CPFA (Engagement Lead)
- Bridget Bowen FCA (Technical Lead)
- Laura Hallez ACA (Manager)
- Abby Wilkins AAT (Trainee accountant)
- Jo Farr (Administration)

Liverpool

- Mark Heap CPFA (Engagement Lead)
- Liz Temple-Murray CPFA (Manager)
- Dianne Webster CMIIA (Senior accountant)
- Ange Ellison (Accountant and admin)

Grant Thornton – Limited Assurance Audit

- A total of approximately 3,550 audited bodies
 - Parish and Town Councils
 - Parish Meetings
 - Internal Drainage Boards
 - Other Small Bodies
- Appointed for 5 years – 2012/13 to 2016/17

Limited Assurance Audit Fees

- Audit fees were set by the Audit Commission for a five year period covering 2012/13 to 2016/17
- Based on whichever is the higher of income or expenditure of the year being audited
 - Income (box 2 + box 3)
 - Expenditure (box 4 + box 5 + box 6)
- New contracts produced savings on audit fees of around 30%
- New contracts facilitated extension of the £nil fee band from £1,000 to £10,000

Limited assurance audit fees 2012/13 to 2016/17

Income / Expenditure band (£)	Fee for limited assurance audit (Exc VAT) (£)
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

Limited Assurance Audit Regime – types of audit

- Declaration of No Accounts
- Any transactions at all – Annual Return required
 - Basic audit, or
 - Intermediate audit

This requirement will remain until 2016/17

Future of Local Government Audit

- Audit Commission was abolished on 31 March 2015
- A new body Public Sector Audit Appointments Limited (PSAA) is responsible for overseeing current contracts with suppliers
- Current limited assurance regime will remain in place until 2016/17
- After that – a similar limited assurance / annual return based system will be in place
- Councils have the option of appointing their own auditor

Appointment of auditors

- The Sector Led Body, Small Authorities Audit Appointments Limited (SAAA) was formed in late 2015
- SAAA will appoint auditors to parish councils
- Parish councils and meetings that require an audit have until 31 March 2016 to opt out of having an auditor appointed by the sector led body and appoint their own auditor
- There will be a tendering process in summer 2016
- Auditors will be appointed by 31 December 2016

Exemption from audit

- Currently only audited bodies with no transactions at all are exempt from audit
- The current system (plus transparency code) will remain in place until 2016/17
- Exemption from audit for bodies with income and expenditure of less than £25,000 will start from 2017/18
- Bodies that are exempt from audit must still appoint an auditor to deal with objections
- Bodies that are exempt from audit will still have to comply with the Transparency Code

Future of Local Government Audit

- NALC is working closely with SAAA to inform councils of future changes

Smaller Authorities Transparency code 2014

- Applies to authorities with annual turnover of less than £25k
- Applies from 1 April 2015 so first set of data had to be published by 1 July 2015
- Parish meetings where there is no parish council are exempt
- Publication must be on a website that is publicly accessible free of charge

Smaller Authorities Transparency code 2014

- Smaller authorities are required to comply with the Transparency Code **and** to prepare an Annual Return for
 - 2014/15
 - 2015/16
 - 2016/17

Smaller Authorities Transparency code 2014

- Auditors do not have not responsibility for checking if the smaller authorities comply
- Currently, monitoring procedures are still being developed – may become responsibility of local county associations
- We had very few queries about the Transparency Code in 2015

Exemption from audit

Based on 2014/15 figures

Grant Thornton

- audits 3,599 small bodies
 - 375 (10%) of these had no financial transactions
 - 2,022 (56%) had income and expenditure of less than £25,000 and would not require an external audit
 - 1,198 (34%) had income and expenditure of more than £25,000 and **would** require an external audit

Repeal of Section 150(5) of the Local Government Act 1972

- Section 150(5) of the Local Government Act 1972 governed the stewardship of money by local councils. It required that 'every cheque or other order for the payment of money shall be signed by two members of the Council'
- It was repealed on 12 March 2014
- Councils must consider risks and internal controls
- NALC has issued new guidance available in Appendix 11 of the Practitioners' Guide

Governance and Accountability for Local Councils – A Practitioners' Guide

- The last version of the guide was published in March 2014
- The guide is currently being updated and will be issued in March / April 2016
- The new guide is expected to look very different

NALC Model Financial Regulations

- New model Financial Regulations were issued by NALC in March 2014 and were revised to include arrangements for non cheque payments

Accounts and Audit Regulations 2015

- Came into force on 1 April 2015
- 2015/16 is first year to which they apply
- Parish councils less than £6.5m and not opting for full audit are Category 2 authorities

- Changes to inspection period will apply 2015/16
- The Annual Governance Statement must now be signed before the Accounting Statements

2016 Annual Return

- The Annual Return has changed significantly since 2015
- There is one Annual Return for all smaller authorities
- It is pink
- Annual Governance Statement is now Section 1
- Accounting Statements are now Section 2
- There have been no changes made to Section 3 the External Auditor Certificate and Report
- The Annual Internal Audit Report is still the last section of the Annual Return.

Section 1 – Annual governance statement 2015/16

We acknowledge as the members of:

ENTER SMALLER AUTHORITY NAME

our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2016, that:

	Agreed		Yes means that this smaller authority: prepared its accounting statements in accordance with the Accounts and Audit Regulations.	
	Yes	No		
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.				
2. We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.			made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this smaller authority to conduct its business or on its finances.			has only done what it has the legal power to do and has complied with proper practices in doing so.	
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.			during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.	
5. We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.			considered the financial and other risks it faces and has dealt with them properly.	
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.			arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.	
7. We took appropriate action on all matters raised in reports from internal and external audit.			responded to matters brought to its attention by internal and external audit.	
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this smaller authority and, where appropriate have included them in the accounting statements.			disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.	
9. (For local councils only) Trust funds – Including charitable in our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	NA	has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.

This annual governance statement is approved by this smaller authority and recorded as minute reference:

MINUTE REFERENCE

dated DD/MM/YYYY

Signed by:

Chair SIGNATURE REQUIRED

dated DD/MM/YY

Signed by:

Clerk SIGNATURE REQUIRED

dated DD/MM/YY

*Note: Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how this smaller authority will address the weaknesses identified.

Section 2 – Accounting statements 2015/16 for

Enter name of smaller authority here:

	Year ending		Notes and guidance
	31 March 2015 £	31 March 2016 £	
1. Balances brought forward			Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2. (+) Precept or Rates and Levies			Total amount of precept or (for IDBs) rates and levies received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts			Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.
4. (-) Staff costs			Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5. (-) Loan interest/capital repayments			Total expenditure or payments of capital and interest made during the year on the smaller authority's borrowings (if any).
6. (-) All other payments			Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward			Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8. Total value of cash and short term investments			The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.
9. Total fixed assets plus long term investments and assets			The original Asset and Investment Register value of all fixed assets, plus other long term assets owned by the smaller authority as at 31 March
10. Total borrowings			The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	The Council acts as sole trustee for and is responsible for managing Trust funds or assets. N.B. The figures in the accounting statements above do not include any Trust transactions.

I certify that for the year ended 31 March 2016 the accounting statements in this annual return present fairly the financial position of this smaller authority and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer

SIGNATURE REQUIRED

Date DD/MM/YYYY

I confirm that these accounting statements were approved by this smaller authority on this date:

DD/MM/YYYY

and recorded as minute reference:

MINUTE REFERENCE

Signed by Chair of the meeting approving these accounting statements.

SIGNATURE REQUIRED

Date DD/MM/YYYY

Section 3 – External auditor certificate and report 2015/16 Certificate

We certify that we have completed our review of the annual return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2016 in respect of:

ENTER SMALLER AUTHORITY NAME HERE

Respective responsibilities of the body and the auditor

This smaller authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The smaller authority prepares an annual return in accordance with proper practices which:

- summarises the accounting records for the year ended 31 March 2016; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

Our responsibility is to review the annual return in accordance with guidance issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (see note below). Our work does not constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and does not provide the same level of assurance that such an audit would do.

External auditor report

(Except for the matters reported below)* on the basis of our review of the annual return, in our opinion the information in the annual return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the smaller authority:

(continue on a separate sheet if required)

External auditor signature

External auditor name Date

Note: The NAO issued guidance applicable to external auditors' work on 2015/16 accounts in Auditor Guidance Note AGN/02. The AGN is available from the NAO website (www.nao.org.uk)

Annual internal audit report 2015/16 to

ENTER SMALLER AUTHORITY NAME HERE

This smaller authority's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2016.

Internal audit has been carried out in accordance with this smaller authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this smaller authority.

Internal control objective	Agreed? Please choose only one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been kept properly throughout the year.			
B. This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.			
C. This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.			
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.			
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.			
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			
G. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied.			
H. Asset and investments registers were complete and accurate and properly maintained.			
I. Periodic and year-end bank account reconciliations were properly carried out.			
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.			
K. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable

For any other risk areas identified by this smaller authority adequate controls existed (list any other risk areas below or on separate sheets if needed)

Name of person who carried out the internal audit PRINT NAME

Signature of person who carried out the internal audit SIGNATURE REQUIRED Date DDMMYYYY

If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

Audit statistics

2013/14

- 3599 Annual Returns
- 380 Declarations of no account

Receipt of Annual Returns (including DONA's)

- 85% received by 30 June 2014
- 99% received by 30 September 2014
- 1% received in October and November 2014

2014/15

- 3599 Annual Returns
- 375 Declarations of no account

Receipt of Annual Returns (including DONA's)

- 88% received by 30 June 2015
- 99% received by 30 September 2015
- 1% received in October and November 2015

Completion of audits

	2012/13	2013/14	2014/15
Audits completed by 1 September	52%	82%	83%
Audits completed by 30 September	97%	99%	99%
Audits completed after 30 September deadline	3% (120)	1% (32)	1%(49)
- received after 30 September	45	23	16
- issues obtaining information or issues requiring additional input	75	9	33
	120	32	49

What to do if your audit is not complete by 30 September

- If an audit is not going to be completed by 30 September, for any reason –
- We send a letter to be displayed with the unaudited accounts saying the audit is not complete
- Once the certified Annual Return is returned to the council the completion notice should then be displayed in the usual way

Client Satisfaction Surveys

- 7 questions
- Scored out of 10 (10 being the highest)
- Overall improvement year on year.

	Average overall score 2013/14	Average overall score 2014/15
1 Overall satisfaction with Grant Thornton	9.2	9.3
2 Timeliness of sending out AR for completion	9.3	9.4
3 Clarity of information sent with AR	9.1	9.2
4a Timeliness of request for further information	8.9	9.0
4b Clarity of request for further information	8.8	8.9
5 Matters in audit report easy to understand	8.7	8.7
6 Contact for general information or assistance	9.1	9.3

Changes for 2015/16

- Section 1 - The Annual Governance Statement

must be signed before

- Section 2 – The Accounting Statements
- The inspection and notice procedures have changed

The Audit Process

Audit process

Annual audit requirements

- The audit documentation for all audited bodies will be sent out during the week ending 18 March 2016
 - Annual Return
 - Accompanying letter
 - Information booklet "What to do now"
 - A template Notice of Commencement of the Period for the Exercise of Electors' Rights
 - A template Declaration that the Accounting Statements are unaudited
 - Information required for intermediate audit

Audit process

Contact details

- Please let us know of any changes of clerk or contact details as soon as you can

- Please email:

Bristol office jo.farr@uk.gt.com

Liverpool office angela.j.ellison@uk.gt.com

- Please do not wait until you send the Annual Return to us
- We send reminders and acknowledgements by email

Documentation required for audit

- In the "What to do now" booklet we have provided some suggested layouts for:
 - bank reconciliation
 - explanations for variances
 - other explanations
- These can be used and will help you to provide the correct information

Documentation for audit

- Intermediate audits
 - a list of the additional information we need is included in the pack of information
- Other information may be requested before or during the audit
 - to address matters that have come to our attention
 - about large or unusual transactions in the year

Help and guidance

- Help on completing the Annual Return –
 - Grant Thornton – call us
 - Grant Thornton Newsletter
 - "What to do now" booklet
 - Practitioners' Guide
- Auditors cannot give technical advice as it may impair our independence. You should contact NALC.

Completion of Annual Return

Four sections in Annual Return

- Audited body completes
 - Section 1 – Annual Governance Statement
 - Section 2 – Accounting statements
- Internal auditor completes
 - Annual internal audit report to the council
- Then send to us, we complete
 - Section 3 – External auditor certificate and report

Annual Return – Section 3

External audit report

- Except for reports – qualification
- Other matters reports – not a qualification
- Usually referred to a separate sheet

Deadlines and Targets

- Statutory requirement for audited body to approve the accounts by 30 June following the year end
- Statutory requirement for audited bodies to publish the audited accounts by 30 September following the year end
- We are set targets by PSAA –
100% of audits complete by 30 September

Inspection and Notice Period

- Changes in the accounts and Audit Regulations 2015
- Appointed auditors are no longer required to set an appointed audit date
- Legal obligation for the audited body to:
 - publish prior to the external audit of the Annual Return
 - the Statement of Accounts – accompanied by a declaration that the accounts are unaudited
 - the Annual Governance Statement – whether or not it has been approved by the Authority
 - a statement with details about the exercise of public rights

Declaration of Status of Status of Published Accounts

INSERT NAME OF SMALLER AUTHORITY

DECLARATION OF STATUS OF PUBLISHED ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

The Accounts and Audit Regulations 2015 (SI 2015 No.234)



1. The statement of accounts for _____ *

published today is unaudited and may be subject to change.

* *insert name of Smaller Authority*

2. Signed by:

Signature: _____

Date: _____ 2016

RESPONSIBLE FINANCIAL OFFICER

Notice of date of Commencement for the Exercise of Public Rights

- Accounts and Audit Regulations 2015 require a statement to be published that sets out
 - the period for the exercise of public rights
 - details of the manner in which the notice should be given of an intention to inspect the accounting records and other document
 - the name and address of the local auditor
 - the provisions contained in sections 26 and 27 of the Local Audit and accountability Act 2014

Notice of Date of Commencement of Period for the Exercise of Public Rights

INSERT NAME OF SMALLER AUTHORITY

NOTICE OF DATE OF COMMENCEMENT OF PERIOD FOR THE EXERCISE OF PUBLIC RIGHTS
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

The Accounts and Audit Regulations 2015 (SI 2015 No.234)
 The Local Audit and Accountability Act 2014

NOTICE	NOTES
<p>1. Date of announcement _____(a)</p> <p>2. Sections 26 and 27 of the Local Audit and Accountability Act 2014 provide for:</p> <ul style="list-style-type: none"> Any person interested has the opportunity to inspect and make copies of the Annual Return and all books, deeds, contracts, bills, vouchers and receipts etc. relating to them. For the year ended 31 March 2016 these documents will be available on reasonable notice on application to the person in paragraph 3 below. Local Government Electors and their representatives have rights to: <ul style="list-style-type: none"> question the auditor about the accounts: and object to the accounts or any item in them. Written notice of an objection must first be given to the auditor and a copy sent to the Smaller Authority. <p>The auditor can be contacted at the address in paragraph 5 below for this purpose.</p> <p>3. Person to which you can apply to inspect the accounts (b)</p> <p>Name: _____</p> <p>Position: _____</p> <p>Address: _____</p> <p>Tel no: _____</p> <p>Email: _____</p> <p>4. Any rights of inspection, objection, and questioning of the auditor may only be exercised within a single period of 30 <u>working</u> days:</p> <p>commencing on (c) _____ 2016</p> <p>and ending on (d) _____ 2016</p> <p>5. Your appointed auditor is:</p> <p>Mark Heap Grant Thornton UK LLP Royal Liver Building Liverpool L3 1PS Tel: 0151 224 7200</p> <p>For more detailed guidance on electors' rights and the special powers of auditors, copies of the publication Council Accounts – A Guide to Your Rights are available from the National Audit Office website.</p>	<p>(a) Insert date of placing of this notice</p> <p>Sections 26 and 27 of the Local Audit and Accountability Act 2014 must be published with this Notice</p> <p>(b) Insert name, position, address and contact details such as telephone and email of the Clerk or other person to whom any person may apply to inspect the accounts, and the details of the manner in which notice should be given of an intention to inspect the accounting records and other documents</p> <p>(c) Insert date at least 1 working day after the Date of announcement in paragraph 1 above and between 3 June 2016 and 1 July 2016.</p> <p>(d) The inspection period between (c) and (d) must be 30 consecutive working days and must include the first 10 working days of July. Exclude weekends.</p>

Local Audit and Accountability Act 2014

Sections 26

(inspection of documents)

Section 27

(right to make objections at audit)

Local Audit and Accountability Act 2014 (c. 2)

26 Inspection of documents etc

- (1) At each audit of accounts under this Act, other than an audit of accounts of a health service body, any persons interested may—
- inspect the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records, and
 - make copies of all or any part of those records or documents.
- (2) At the request of a local government elector for any area to which the accounts relate, the local auditor must give the elector, or any representative of the elector, an opportunity to question the auditor about the accounting records.
- (3) The local auditor's reasonable costs of complying with subsection (2) are recoverable from the relevant authority to which the accounts relate.
- (4) This section does not entitle a person—
- to inspect or copy any part of any record or document containing information which is protected on the grounds of commercial confidentiality, or
 - to require any such information to be disclosed in answer to any question.
- (5) Information is protected on the grounds of commercial confidentiality if—
- its disclosure would prejudice commercial confidentiality, and
 - there is no overriding public interest in favour of its disclosure.
- (6) This section does not entitle a person—
- to inspect or copy any part of any record or document containing personal information, or
 - to require any personal information to be disclosed in answer to any question.
- (7) Information is personal information if it identifies a particular individual or enables a particular individual to be identified (but see subsection (8)).
- (8) Information is not personal information merely because it relates to a business carried on by an individual as a sole trader.
- (9) Information is personal information if it is information about an officer of the relevant authority which relates specifically to a particular individual and is available to the authority because—
- the individual holds or has held an office or employment with that authority, or
 - payments or other benefits in respect of an office or employment under any other person are or have been made or provided to that individual by that authority.
- (10) For the purposes of subsection (9)—
- “the relevant authority” means the relevant authority whose accounts are being audited, and
 - payments made or benefits provided to an individual in respect of an office or employment include any payment made or benefit provided in respect of the individual ceasing to hold the office or employment.

27 Right to make objections at audit

- (1) This section applies if, at an audit of accounts under this Act other than an audit of accounts of a health service body, a local government elector for an area to which the accounts relate makes an objection to the local auditor which meets the requirements in subsection (2) and which—
- concerns a matter in respect of which the auditor could make a public interest report, or
 - concerns a matter in respect of which the auditor could apply for a declaration under section 28.
- (2) The requirements are that—
- the objection is made in writing, and
 - a copy of the objection is sent to the relevant authority whose accounts are being audited.
- (3) The local auditor must decide—
- whether to consider the objection, and
 - if the auditor does so, whether to take action within paragraph (a) or (b) of subsection (1) in response.
- (4) The local auditor may decide not to consider the objection if, in particular, the auditor thinks that—
- the objection is frivolous or vexatious,
 - the cost of the auditor considering the objection would be disproportionate to the sums to which the objection relates, or
 - the objection repeats an objection already considered—
- under this section by a local auditor of the authority's accounts, or
 - under section 16 of the Audit Commission Act 1998 by an auditor appointed under that Act in relation to those accounts.
- (5) Subsection (4)(b) does not entitle the local auditor to refuse to consider an objection which the auditor thinks might disclose serious concerns about how the relevant authority is managed or led.
- (6) If the local auditor decides not to take action within paragraph (a) or (b) of subsection (1), the auditor may recommend that the relevant authority should instead take action in response to the objection.
- (7) The local auditor's reasonable costs of exercising functions under this section are recoverable from the relevant authority.

Inspection and Notice Period

- The inspection period
 - must be a single period of 30 working days
 - must include the first 10 working days of July
- The RFO must by law inform the auditor of the Date of Commencement for the Exercise of Public Rights
- The RFO can do this by sending us a copy of the Notice or contacting us by email

Inspection and Notice Period

- For 2015/16 the inspection period **must**:
 - start between 3 June 2016 and 1 July 2016
 - end between 14 July 2016 and 11 August 2016
- We cannot complete your audit until the end of the inspection period
- Earliest completion date is 15 July 2016

Scheduling the audit work

- We will ask you to send your Annual Return to us in time to allow us to schedule our audit work and complete all the audits by 30 September 2016
- The requested submission dates are between 27 May and 1 July
- If you are unable to meet the requested submission date – please contact us as soon as you can
 - Jo Farr (Bristol)
 - Angela Ellison (Liverpool)

Common pitfalls in audit process

- Not sending us all the requested information
- Sending in additional information not requested
- Providing inadequate explanations of variances
- Bank reconciliation incorrect
- PWLB balances incorrect
- CTSG in box 2
- Trust Funds declarations inconsistent
- Approval by committee not full council
- Late approval

All Bodies – 2014/15 audit results

3599 audited bodies

375 no financial transactions

541 bodies with qualified (except for) audit reports

2140 with "other matters" audit reports

462 audited bodies had except for and other matters

2014/15 - qualified audit reports

- All qualified audit reports relate either to problems with the figures on the annual accounts or to a significant governance failure
- 28 audited bodies were qualified for problems with the figures on the annual accounts
- 480 audited bodies were qualified for governance failures
- 35 audited bodies were qualified for both the figures on the annual accounts and governance failures

Not sending in the correct information

- Not sending in the requested information means we must contact you to ask for the information again. This will lead to unnecessary delay and additional cost
- Sending in information we have not requested means we have to review that information and make a decision what to do with it
- If you send in all the requested information and we decide there is something additional we need – that is part of the audit process

Inadequate explanation of variances

- We ask for quantified explanations of variances between last year's figures and this year's figures
- A quantified explanation has explanations for the change (may be more than one) and amount attributed to each of the explanations.
- Guidance on calculating the variances and suggested layouts for the explanations are included in "What to do now"

Explanation of variances

We want to know that the council knows why the figures in the accounts have either increased or decreased.

- We want:
 - Quantified explanations for all significant (i.e. >15%) variances
- We do not want:
 - Supporting documentation (e.g. invoices)
 - Columns of figures merely comparing years
 - Unquantified explanations
 - Sets of accounts

Explanations of variances

How we determine if a variance explanation is adequate

Example:

- Box 3 – other income

2015

52,690

2016

136,373

increase of £83,683

Calculate % change

(Increase (£83,683) divided by 2015 figure (£52,690))

Increase is 159%

Explanations of variances

How we determine if a variance explanation is adequate

Decide if an explanation is required

- Is increase is more than £250? – YES
- Is increase more than 15%? – YES

- therefore an explanation is required.

Explanations of variances

How we determine if an explanation is adequate

- The council gives us the following information –

- | | |
|--|------------------|
| • CTSG increase 2016 | increase £58,419 |
| • New neighbourhood development plan grant | increase £8,784 |
| | TOTAL £67,203 |
| • Cemetery income | decrease £708 |

Explanations of variances

How we determine if an explanation is adequate

	£
Variance	83,683 increase
Increases explained	(67,203)
Decreases explained	708
Unexplained variance	17,188

Is unexplained amount less than 15% of 2015 figure?

15% of £52,690 is £7,903, unexplained amount is £17,188 – which is more than 15% -

so further explanation is required

Explanations of variances

How we determine if an explanation is adequate

- We contact the council and are given the following additional information –

VAT reclaimed

increase £10,417

Explanations of variances

How we determine if an explanation is adequate

	£
Variance	83,683 increase
Increases explained	(67,203)
Further increase explained	(10,417)
Decreases explained	708
Unexplained variance	6,771

Is unexplained amount less than 15% of 2015 figure?

15% of £52,690 is £7,903 unexplained amount is £6,771

– so YES

No further explanation required

Explanation of variances - examples

- Poor example:
 - Payments were down in 2016 because there were no capital projects in the year.
- Good example:
 - Payments have decreased by £7,568 in 2016 mainly due to expenses incurred last year on the children's playground extension, which amounted to £6,211 in 2015

Explanation of variances - examples

- Poor example:

	2015	2016
Precept	4,000	7,900
Grants received	2,000	600
Land rent	0	2,000
Fayre	700	500
Other income	<u>620</u>	<u>2,390</u>
	<u>7,320</u>	<u>13,390</u>

- Poor because we don't know why precept is higher, what grants received were for or why other income is higher

Explanations for variances – Council Tax Support Grant

- The Council Tax Support Grant, if received, is paid over at the same time as the Precept
- only the Precept should be recorded in box 2 (Annual Precept) on the Annual Return
- the Council Tax Support Grant should be included in box 3 (Total other receipts)
- 28% of Annual Returns in 2013/14 had CTSG in wrong box
- 13% of Annual Returns in 2014/15 had an "other matter" in relation to CTSG
- 10% of Annual Returns in 2014/15 had a qualification for not taking proper action on previous audit reports

Explanations for variances – Council Tax Support Grant

- The Council Tax Support Grant, if paid, may be annotated separately on the documentation sent to the council by the District/Borough Council when the payments are made.
- Not all District/Borough councils do this
- If it is not you should contact the council and ask how much of the amount paid is Council Tax Support Grant

Bank reconciliation – common pitfalls

- Putting the wrong figure in box 8 on the Statement of Accounts
- Not stating that there are no outstanding items
- Sending a bank statement
- Sending in a receipts and payments account
- Omitting the date of the bank reconciliation
- Using a date different from 31 March
- Not providing a bank reconciliation when there are no outstanding items
- Including items other than unpresented cheques and uncleared credits

Bank reconciliation

- Suggested format (included in "What to do now" booklet)

Balance per bank statement at 31 March 2016	X
Less unpresented cheques (listed individually)	(X)
Plus uncleared credits (listed individually)	<u>X</u>
Balance per cash book at 31 March 2016	<u>X</u>

Bank reconciliation

- A bank reconciliation is a control schedule prepared by the council
- If there are no reconciling items a statement to that effect must be made so that we know that the reconciliation exercise has been done

Bank reconciliation

- A bank reconciliation must have all the following three elements

Balance per bank statement

Details of reconciling items at year end

Balance per cash book

- The balance per the cash book goes into box 8

Bank reconciliation

Balance per bank statement at 31 March 2016	1,287
Uncleared cheques	(134)
Uncleared deposits	-

Balance per cash book at 31 March 2016	<u>1,153</u>

Bank statement figure in box 8



	31 March 2015 £	31 March 2016 £
7 (=) Balances carried forward		1,153
8 Total cash & investments		1,287

If receipts and payments basis then box 7 = box 8



	31 March 2015 £	31 March 2016 £
7 (=) Balances carried forward		1,153
8 Total cash & investments		1,153

Bank reconciliation

A cash book balance split between two bank accounts eg

Cash book balance	£4,872
-------------------	--------

Represented by

Current account	£1,211
-----------------	--------

Deposit account	£3,661
-----------------	--------

is not a bank reconciliation because it does not state what the bank balance is per the bank statement, nor does it refer to outstanding items at the year end

Bank reconciliation

A cash book balance split between two bank accounts e.g.

Cash book balance £4,872

Outstanding items None

Per the Bank Statement

Current account - 31 March 2016 £1,211

Deposit account - 31 March 2016 £3,661

£4,872

Bases of accounting

- Receipts and payments
payments into and out of the bank account
(includes outstanding cheques)
- Income and expenditure
receipts and payments adjusted for debtors and
creditors
- Guidance is available in the Practitioners' Guide

Basis of accounting

- Councils with income and expenditure of less than £200,000 can use either receipts and payments or income and expenditure
- Councils with income and expenditure of more than £200,000 for more than 3 consecutive years **MUST** use income and expenditure
- If this year is your third year over the threshold then you must use income and expenditure and restate 2013/14 figures too

Difference between box 7 and box 8

- If receipts and payments box 7 equals box 8
- Both are the cash book figure

- If income and expenditure the difference between box 7 and box 8 is the net difference between the year end creditors and the year end debtors
- Outstanding cheques do not make box 7 and box 8 different

- Guidance is available in the Practitioners' Guide

Fixed Assets

- Fixed assets must be valued at **purchase cost**
- Box 9 (long term investments & assets) should agree to the fixed asset register
- Assets must not be re-valued
- Assets must not be depreciated
- If the original cost of the asset is not known, insurance value can be used as a proxy for cost. Once the value is set it should not change with future valuations.
- If the asset is a gift then its purchase cost is a nominal £1

Trust funds information

- Not completing declaration at Section 2
- Not completing statement of assurance at Section 1
- Information given at each section is inconsistent
 - If “YES” at section 2 – must be “YES” or “NO” at section 1 and internal auditors' report
 - If “NO” at section 2 – must be “N/A” at section 1 and internal auditors' report
- Guidance on whether the council is a sole managing trustee is available to the council from NALC (not our role to make this decision)

Internal audit

- Internal auditor is appointed by the council
- Internal auditor must be competent and independent, matter for the council to decide (internal auditor cannot be a member of the council)
- Internal audit can be done at any time during the year. It does not have to be done after 31 March

Timing of internal audit

- Assertion 6 on Section 1 - the annual governance statement relates to the council's system of internal audit.
- In order for the council to give a positive answer to assertion 6 the council must have had internal audit work undertaken in the 12 months ending 31 March 2016

Internal Auditor's report

- We need you to state the obvious for “not applicable” or “not covered”
 - e.g. petty cash
 - e.g. fixed assets
- If detailed report is referred to on the internal auditor's report, we need a copy
- If detailed report is not referred to then we do not need a copy

Risk Assessment

- Statutory requirement for body to have a sound system of internal control that includes arrangements for the management of risk
- A consideration of potential risks facing the Council:
 - Unique to each council
 - We cannot tell you what risks are
 - Guidance is available from NALC
 - Practitioners' Guide
 - Workshops and courses
- Council should then ensure risks are adequately managed

Risk Assessment

- The council must be able to provide evidence that it has undertaken a risk assessment
- Risk assessment document should be:
 - discussed at meetings
 - reviewed at least every year
- Evidence of the above should be recorded in the minutes.

Common qualifications of external auditor's report

- Risk assessment
- Late approval
- Independence of internal auditor
- Failure to take appropriate action on previous audit reports

Electors

- Electors have rights to contact the auditor
 - At any time
 - to let the auditor know of any concerns they may have about the accounts
 - To give the auditor information that is relevant to their responsibilities
 - **During the 30 day inspection period electors can**
 - ask the auditor questions about the accounts
 - can only ask “What” questions” not “why” questions
 - make a formal objection to the accounts which must be copied to the council

Electors' rights

As auditors we –

- Must consider all the information we are given
- Decide whether any action is necessary
- Councils, and so local taxpayers must meet the costs of responding to questions and objections

- Leaflet – "Council Accounts – Know Your Rights" is available from the National Audit Office and is useful for councils and electors

Billing

- We will invoice the council for our work after we have issued our audit opinion
- Invoice will arrive separately
- Please pay invoice within 28 days
- The discount in the scale of audit fees has been given on the basis that councils comply with the audit requirements
- Additional fees will be charged if we have to chase for information or undertake additional work

Questions?