

**Lancashire County Council**

**Audit and Governance Committee**

**Thursday, 30th June, 2016 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston**

**Supplementary Agenda**

We are now able to enclose, for consideration at the next meeting of the Audit and Governance Committee on Thursday, 30th June, 2016, the following information which was unavailable when the agenda was despatched.

**Part I (Open to Press and Public)**

**No. Item**

- (a) External audit update report June 2016 (Pages 1 - 14)**

I Young  
Director of Governance,  
Finance and Public Services

County Hall  
Preston



**Audit and Governance Committee**  
Meeting to be held on 30 June 2016

Electoral Division affected: All
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## Item of Urgent Business

### **External Audit Update report** (Appendix 'A' refers)

Contact for further information:  
Karen Murray, 0161 234 6364, Director, Grant Thornton  
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#### **Executive Summary**

Update report including progress to date with the 2015/16 audit of the accounts, Value for Money (VfM) conclusion and other work. The outcome of our work will be reported to the Audit and Governance committee throughout the year. The report also provides additional information on sector developments to the members of the Audit and Governance Committee as those charged with governance for the Council.

#### **Reason why the business is considered to be urgent**

It is important that the Committee receives regular updates from the External Auditor on the audit of accounts, value for money conclusion and other work.

As the progress report relates to the period ended June 2016, it is more appropriate and timely for it to be considered at this meeting rather than at the next meeting on 26 September 2016.

#### **Recommendation**

The Committee is asked to note the update report.

## **Background and Advice**

Karen Murray, Engagement Lead, will attend the meeting to present the report at Appendix 'A' and answer any questions.

## **Consultations**

The report has been shared with the Director of Financial Resources.

## **Implications**

This item has the following implications, as indicated:

**Risk management**

No significant risks have been identified.

**Local Government (Access to Information) Act 1985  
List of Background Papers**

Paper	Date	Contact/Service/Tel
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N/A		
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Audit and Governance Committee  
Progress and Update Report for  
Lancashire County Council  
*Year ended 31 March 2016*

June 2016

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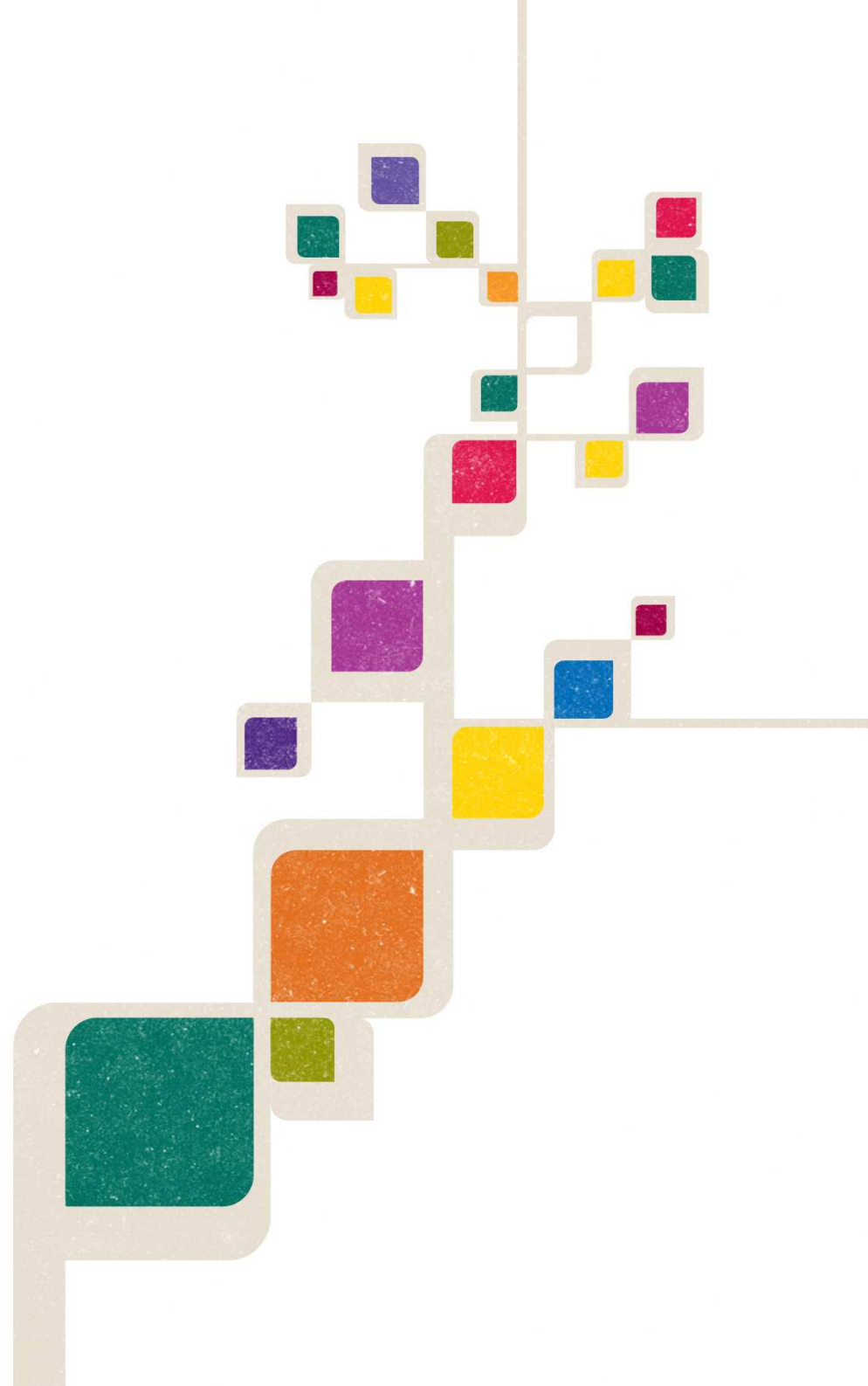
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**Ian Pinches**

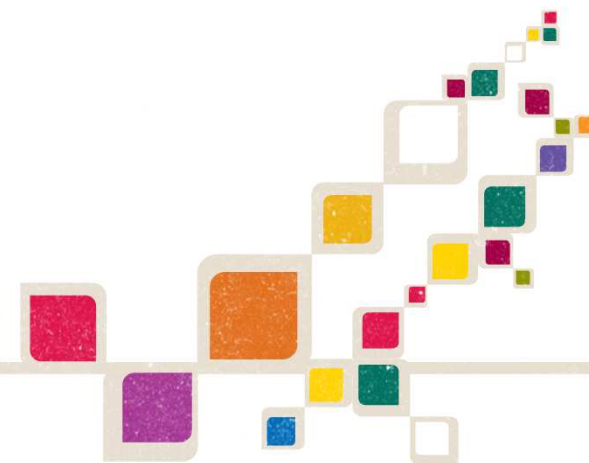
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

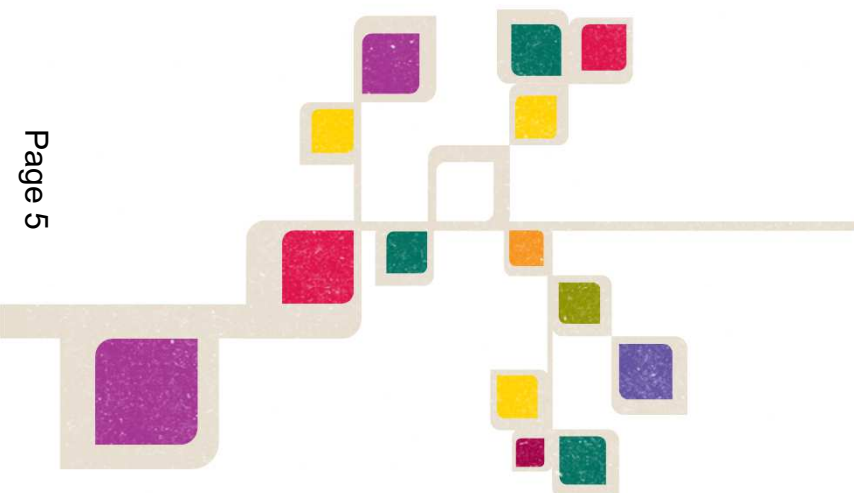


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# Introduction

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

Members of the Audit and Accounts Committee can find further useful material on our website [www.grantthornton.co.uk](http://www.grantthornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications including:

- Better Together: Building a successful joint venture company;  
<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ;  
[www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/](http://www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/)
- Making devolution work: A practical guide for local leaders (October 2015)  
[www.grantthornton.co.uk/en/insights/making-devolution-work/](http://www.grantthornton.co.uk/en/insights/making-devolution-work/)

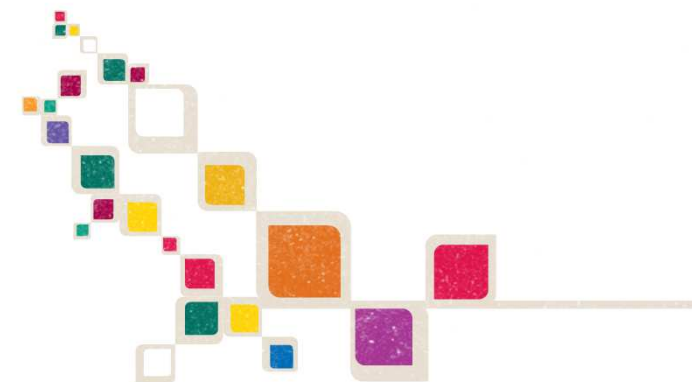
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



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# Progress at June 2016



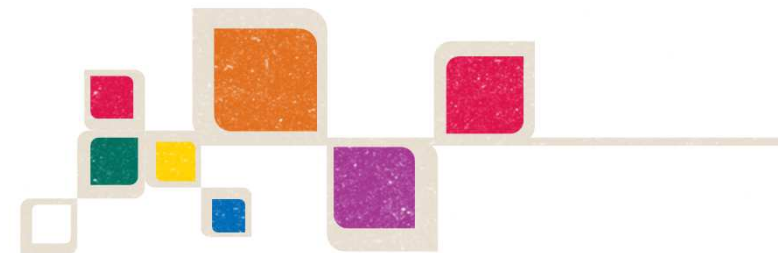
 **Progress against plan**  
On track

 **Opinion and VfM conclusion**  
Plan to give before deadline of 30 September 2016

 **Outputs delivered**  
Fee letter, Progress Reports, delivered to plan

2015/16 work	Completed	Comments
<p><b>Fee Letter</b> We issued the 'Planned fee letter for 2015/16 in April 2015.</p>	April 2015	We have also recently issued the fee letter for 2016/17.
<p><b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.</p> <p>We also inform you of any subsequent changes to our audit approach.</p>	May 2016	This was presented to the Audit and Governance Committee in May.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> </ul>	March 2016	We have documented our understanding of the Council's control environment and your financial systems. We have completed walkthroughs of the key financial systems. We have undertaken early substantive testing on payroll and operating expenditure transactions.

# Progress at June 2016



2015/16 work	Completed	Comments
<p><b>Final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• Audit of the 2015-16 financial statements</li> <li>• proposed opinion on the Council's accounts</li> </ul>	<p><i>Planned for July - August</i></p>	<p>We are planning to complete our audit by 31<sup>st</sup> July as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>We have discussed with your finance team the best way of ensuring we meet this earlier deadline.</p>
<p><b>Value for Money (VfM) conclusion</b> The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. 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:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	<p><i>Field work in March – July , formal conclusion reported by 30 September 2016</i></p>	<p>We have undertaken our initial risk assessment which we reported as part of our audit plan in May 2016.</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report.</p> <p>We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.</p>

# Better Together: Building a successful joint venture company

Grant Thornton reports

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>



ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together  
Building a successful  
joint venture company



# Joining up the dots, not picking up the pieces

## Partnership working in mental health

### Summary report of our mental health collaboration summit

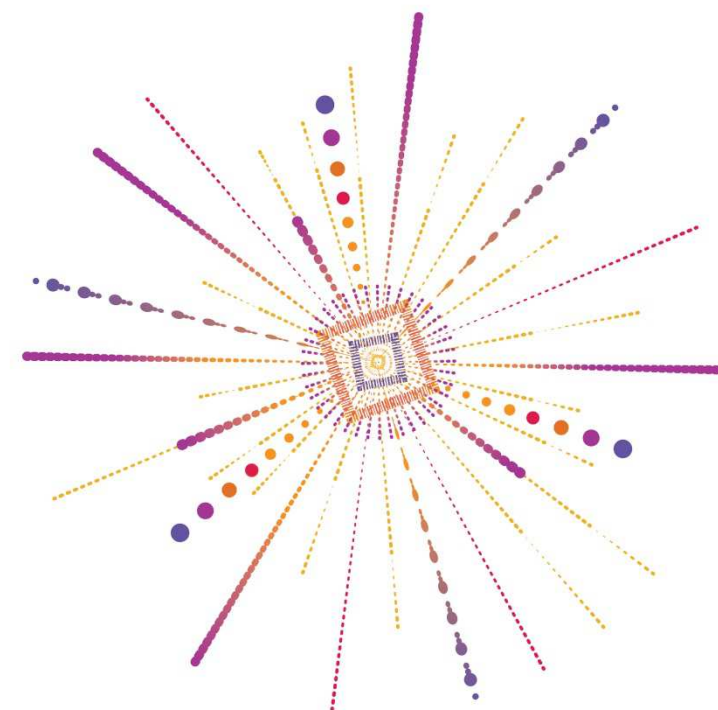
Mental ill health costs the economy over £100 million each year and affects one in four people. However, responding to issues related to an underlying mental illness does not solely sit within the remit of health professionals. With many parts of the public sector needing to respond, and each facing significant financial pressures, collaboration around this issue is essential to provide high quality care and make savings to the wider public purse.

This paper draws together examples of successful collaboration between public services and feedback from a Midlands round table discussion – where the West Midlands Combined Authority has set up a mental health commission – to look at how different services have overcome some of the traditional barriers and demarcation lines between organisations.

The key messages are:

- The unpredictable nature of mental health symptoms can mean that the first point of contact is via emergency services, with ambulance, fire and rescue or police officers being present. The cost of services not being available at the right place at the right time can be huge, in terms of the personal suffering of individuals and costs to the wider system
- Often relatively modest amounts of money targeted at specific initiatives such as street triage or community cafes can make a huge difference in improving the availability of important services
- An impact can be made without the need for expensive structural change. Most importantly, it requires a genuine approach to collaboration and a culture of putting the patient first
- Investing in collaborative initiatives focussing on the needs of mental health patients were undoubtedly resulting in savings elsewhere to the public purse. Examples include:
  - 92% reduction in detentions under section 136 of the Mental Health Act in Cheshire and Wirral; 50% reduction in Birmingham and Solihull; 39% in Nottinghamshire; 30% in Kent
  - 647 A&E attendances avoided by one street triage team in one year in Birmingham and Solihull
  - 80% remission in psychosis through early intervention in Derbyshire
  - 25% of unemployed users of the café run by the Manchester Mind Young Adults Services and Projects team have gone on to find employment.

Grant Thornton reports



# Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton reports

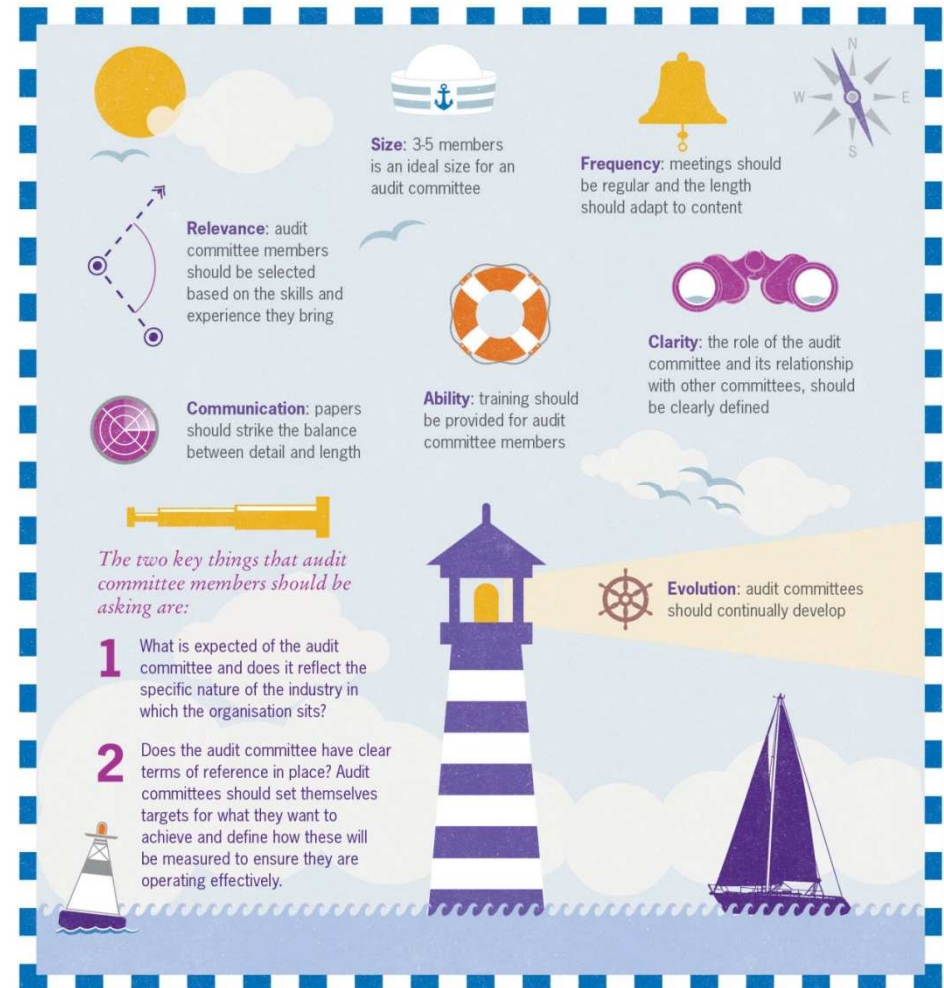
We have published our first cross-sector review of Audit Committee effectiveness encompassing the corporate, not for profit and public sectors.

It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. The report is structured into four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

The detailed report is available here

<http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>



# Fighting Fraud and Corruption Locally

CIPFA publication

**Fighting Fraud and Corruption Locally** is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>





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