

Audit Committee Update for Devon County Council

Year ended 31 March 2014

1 December 2014

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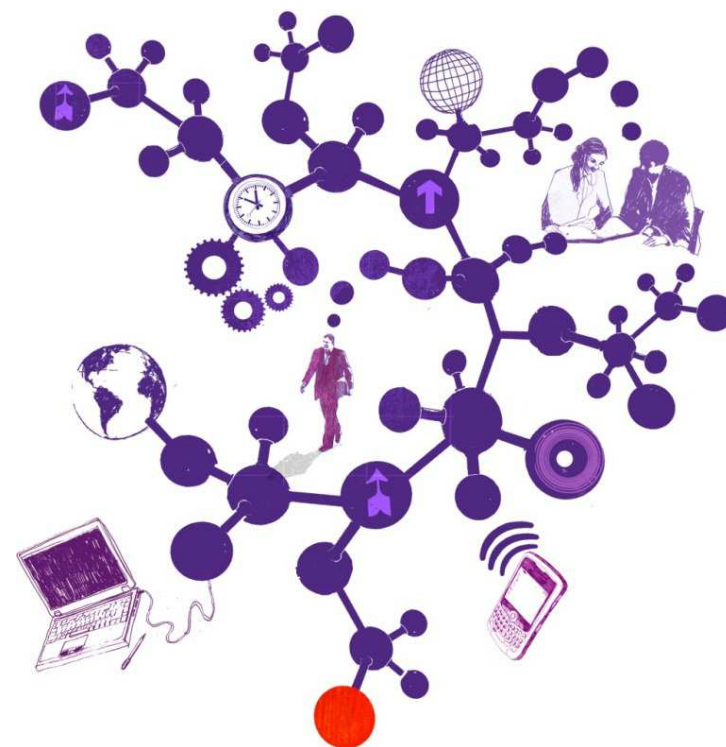
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Introduction

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

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths
- Responding to the challenge – Alternative Delivery Models in Local Government

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 Audit Manager.

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Progress at 17 November 2014

Work	Planned date	Complete?	Comments
2013-14 Audit: Accounts and VFM	October 2014	Complete	The audit for 2013/14 is now complete and our Annual Audit Letter is presented at this Committee meeting.
<p>2013-14 Certification work</p> <p>As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.</p> <p>The only claim which requires Audit Commission certification at Devon County Council for 2013/14 relates to the expenditure on the South Devon Link Road for which the deadline is 31 December 2014. We plan to complete our work by early December.</p>	31 December 2014	In progress	<p>There are two other returns which we are certifying as external reporting accountants (the Audit Commission does not mandate the instructions to be followed):</p> <ul style="list-style-type: none"> • Teachers' pensions • Initial Teacher Training <p>We plan to have this work completed by the deadline of the end of December.</p>
<p>2014-15 Accounts Audit Plan</p> <p>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 2014/15 financial statements.</p>	January to February 2015	Not yet planned	Not yet started
<p>2014-15 Interim accounts audit</p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January to February 2015	Not yet planned	We will discuss with officers the timing of the interim visit shortly.

Progress at 17 November 2014

Work	Planned date	Complete?	Comments
<p>2014-15 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July / August 2015	Not yet planned	Not yet started
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • Follow up of previous recommendations • The organisation has proper arrangements in place for securing financial resilience • The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. 	January / August 2015	Not yet planned	Not yet started
<p>Other activity undertaken</p> <p>Meetings with the Chief Executive, County Treasurer and senior officers to discuss the County's future strategies and business development proposals.</p>	Ongoing	On-going	Regular programme of meetings with Chief Executive, County Treasurer and Senior officers throughout the year.
<p>Better Care Fund</p> <p>We are organising seminars in the south west in January for NHS and local government to explore how joint working between partners can be improved.</p>	January 2015	Invitations are being sent out	Invitations will be sent out by the first week of December.

Emerging issues and developments

Grant Thornton Reports – Better Care Fund

Pulling together the Better Care Fund (BCF) Delivering improvements through integrated health and social care

The Better Care Fund is now moving into a new phase with revised guidance. In June 2014, we asked the question, do local authorities and clinical commissioning groups (CCGs) have effective arrangements in place to develop joint BCF plans for agreement by the health and wellbeing boards and how ready are they for the pooled fund in April 2015?

Our report, 'Pulling together the Better Care Fund', delivers a snapshot of progress as at 30 June 2014 and provides:

- an understanding of how your approach compares to others across the country
- assistance in identifying the key issues to delivering Better Care Fund plans effectively
- insight into current best practice
- practical areas for consideration for improving arrangements in the future.

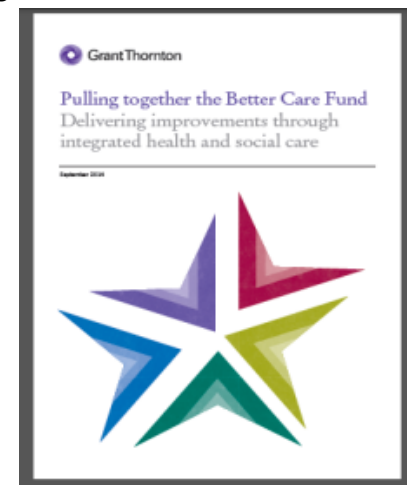
We found that the majority of BCF plans lack:

- clear operational detail with realistic and deliverable targets which will deliver the high-level strategic visions
- detailed CCG and NHS provider scenario and financial planning
- the full engagement of many NHS providers
- Confidence from all partners that there is sufficient time to make these changes and that the intended outcomes will commence by April 2015.

The report includes a checklist of issues for consideration by:

- health and well being boards
- local authorities
- clinical commissioning groups and
- NHS trusts and foundation trusts.

**We will be organising seminars in the south west – Taunton (20 January) and Bristol (TBC in January)
Inviting both local government and the NHS – commissioners and providers.**



2020 Vision

Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Where Growth Happens

Grant Thornton

Our national report 'Where Growth Happens' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Where-growth-happens-The-high-growth-index-of-places/>

As the UK emerges from recession, increasing attention is being given, both nationally and locally, as to how to accelerate economic sector growth. Our report presents the findings of research undertaken by our Place Analytics team on the dynamics of local growth. It will give FDs and CEOs of local authorities and LEPs:

- an insight into the geographic areas of high growth and dynamic growth (ie the quality of growth)
- an understanding of the characteristics of both growing and dynamic places to help frame policy and sustain future growth
- an understanding of growth corridors and their implications, not only for UK policy makers, but also for those locally sitting within and outside the corridors
- an insight into the views of different leaders charged with making growth happen in their locality.

The report provides a ranking of English cities according to their economic growth over an eight year period (2004 – 2012). Outside of London – which maintains eight of the top 10 best performing districts overall – it places Manchester, Birmingham and Brighton and Hove in the top three, as measured by economic, demographic and place (dwelling stock and commercial floor space) growth.

The analysis also assess the quality of local growth - or 'dynamism' - to identify areas with a vibrant and dynamic economy capable of supporting future expansion, based on five key drivers. London again tops the ranking, with nine out of the top 10 dynamic growth areas. Outside the capital, Cambridge, Reading and Manchester top the list of future sustainable growth.

Based on this analysis of past progress and future prospects, our report reveals a number of 'growth corridors' – functional and large scale local economic areas in England – which are playing a significant role in the country's overall growth levels. Though predominantly stemming from London, the intra-city growth corridors include a number of other large cities at their core, creating a network of key strategic linkages between high growth and dynamic areas.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Place Analytics – Understanding Growth

Invitation to a local Grant Thornton seminar

In a recent survey, chief executives and leaders were asked a simple question: what do you see as the future primary purpose of local government?

72% answered *"as a leader of place driving investment and stimulating economic regeneration."*

This is simple to say, but difficult to define and very difficult to measure.

With the drive to increase efficiency, improve service quality and enable collaboration between organisations, a better and shared understanding of people and places has never been more important. Yet the resources available to inform this understanding have never been more stretched.

It is in this context that we have launched our new Place Analytics service. Incorporating all of the data and tools necessary to shape a comprehensive understanding of your place, and the people who live there, it puts at your fingertips a powerful Insight Engine that can be used to inform policy-making and decision-making.

We are holding two seminars in the South West – on 8 December 2014 in Taunton and on 15 December 2014 in Bristol – to demonstrate the value of Place Analytics. We will provide a comprehensive analysis of the South West, from economic, social and environmental perspectives and will also provide an assessment of performance on our High Growth Index – with an opportunity to discuss the findings and policy implications. We have sent invitations to all Chief Financial Officers and Heads of Economic Development.

We have invited the Council to one of our Place Analytics seminars in December 2014.

Anti - fraud and corruption update

Grant Thornton

Key current issues include:

Single Fraud Investigation Service (SFIS) - The SFIS will bring together all investigative capacity in relation to benefits and tax credits under the control of the Department of Work and Pensions. However a number of local authorities have expressed concern that such a transfer will cause them to lose the capacity to readily investigate other issues such as employee fraud and corruption allegations.

Corruption risk - In 2013 Transparency International (TI), the world's leading non-governmental anti-corruption organisation, published a report on corruption in UK Local Government. It identified twelve key risk areas covering public procurement, control over outsourced services, personnel transferring between local authorities and companies bidding to provide services, planning issues, collusion in housing fraud and manipulation of electoral registration. TI expressed concern that audit committees were unable to fulfil the function of reducing risks in many authorities.

Non-benefits fraud - There are striking differences between the identification of benefit and non-benefit fraud within local government. The Audit Commission has reported that 79 district councils did not detect a single non-benefit fraud whereas only 9 councils among all London boroughs, metropolitan districts and unitary authorities reported non-benefit frauds. Procurement fraud in particular is consistently estimated as accounting for the largest losses to fraud within local government. In its most recent Protecting the Public Purse publication the Audit Commission estimated annual losses at £876 million, representing 1% of total procurement spend.

Our Forensic Investigation Services provide a range of services to local authorities including fraud prevention and detection. If you are interested in a further discussion on these areas please contact your audit manager.

Managing council property assets

Local government guidance

The Audit Commission has issued its briefing paper **Managing Council Property Assets: Using Data from the VFM Profiles**

In the paper the Audit Commission:

- advocates that councils should be active and strategic managers of their estates – understanding property markets and asking questions about the properties they own or lease,
- prompts councils to consider whether assets are in the right place, whether they should keep, sell, or transfer them, and how much they should invest in building, buying and maintaining property,
- invites local authorities to balance the value realised through sales of surplus assets, against the cost of maintaining them.

The background to the briefing is the collation of information from the government's capital outturn return which identifies that the local government estate has a net book value of £169.8 billion of which £2.5 billion have been classified as 'surplus' assets. In this context the Audit Commission is calling on councils to ensure they have a strategic approach to managing these assets, in order to get the best value for money they can from this portion of the local government estate. The Audit Commission Chair, Jeremy Newman said:

"we are neither advocating that local government starts a wholesale sell-off of their land and property nor are we suggesting councils shouldn't spend money on buying assets or on investment to improve their existing property. What we are highlighting is a group of assets that do not provide immediate benefit to local communities, but still require councils to spend money on maintaining them. These assets have potential value for councils. While not all such land or buildings may be sellable, councils should consider how much value they gain from surplus assets and how this could be increased. I urge councils to use the data held in the Commission's 'Value for Money (VFM) Profiles Tool', such as spending on and value of land and property assets and 'surplus' assets, alongside their unique and detailed local knowledge, to regularly review if their estate is fit-for-purpose."

The National Fraud Initiative

Local government guidance

On 12 June 2014 the Audit Commission released its national report, [The National Fraud Initiative \(NFI\): National Report \(June 2014\)](#) highlighting that its data matching exercise has identified a further £229 million of fraud, overpayment or error in England, Scotland, Wales and Northern Ireland, since it last reported in May 2012. The Chairman of the Audit Commission, Jeremy Newman said;

"We publish a report from the NFI every two years and continue to produce great results. The national figure for identified fraud, error and overpayment, that would otherwise be lost to the taxpaying public, is down by £46 million compared to the previous report although the number of cases has increased by nearly 20 per cent. This is great news if, as we believe, it is due to improving detection rates. However, we cannot be complacent. The more participants in the exercise, the richer the data for everyone involved and the harder it is for fraudsters to hide from detection".

The Audit Commission's National Fraud Initiative will move to the Cabinet Office in April 2015 to secure the continuation of the counter fraud data matching initiative which over its 18 year history has identified over £1.17 billion in fraud, error and overpayment .



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