

Audit Committee
Progress and Update Report for
Devon County Council
Year ended 31 March 2016

November 2016

Elizabeth Cave

Director

T 0117 305 7885

E liz.a.cave@uk.gt.com

Andrew Shaw

Manager

T 0117 305 7755

E andrew.j.shaw@uk.gt.com

Tori Redler

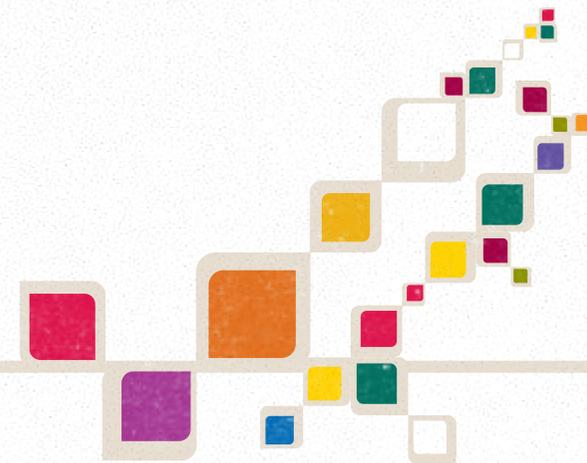
In Charge Auditor

T 0117 305 7744

E victoria.j.redler@uk.gt.com



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.



Introduction

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

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. Here you can download copies of our publications:

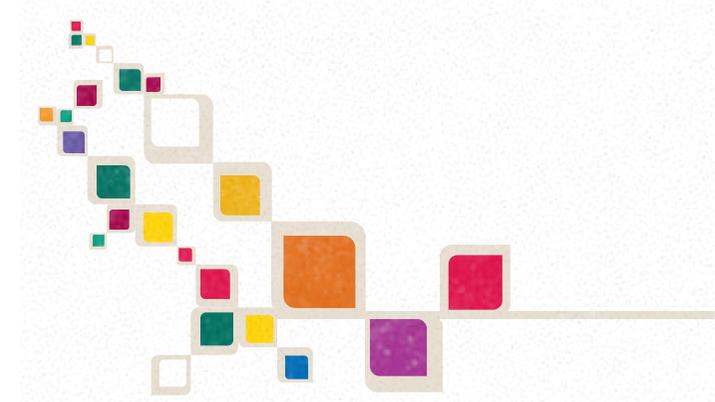
- Re-forging local government: Summary findings of financial health checks and governance reviews (December 2015)
<http://www.grantthornton.co.uk/en/insights/reforging-local-government/>,
- Advancing closure: Transforming the financial reporting of local authority accounts (August 2016)
<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>

Members and officers may also be interested in our webinars:

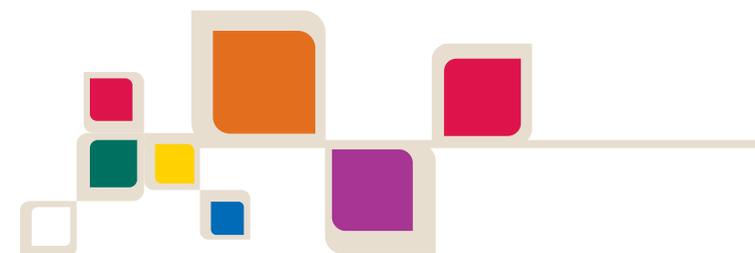
Alternative delivery models: Interview with Helen Randall of Trowers and Hamlins, discussing LATCs and JVs in local government. <http://www.grantthornton.co.uk/en/insights/qa-on-local-authority-alternative-delivery-models/>

Cyber security in the public sector: Our short video outlines questions for public sector organisations to ask in defending against cyber crime <http://www.grantthornton.co.uk/en/insights/cyber-security-in-the-public-sector/>

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.

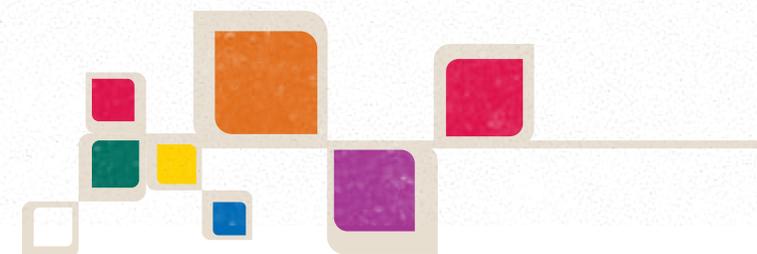


Progress at November 2016



2015/16 work	Planned Date	Complete?	Comments
<p>Fee Letter</p> <p>We are required to issue a 'Planned fee letter for 2015/16' by the end of April 2015</p>	April 2015	Yes	We were also required to issue the fee letter for 2016/17, with no change to the fee proposed.
<p>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 2015-16 financial statements.</p>	March 2016	Yes	We were required to issue the audit plan to the Audit Committee which was presented in March 2016.
<p>Interim accounts audit</p> <p>Our interim fieldwork visit plan included:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	January to March 2016	Yes	We completed our interim work in line with plan and reported the results of this work to the Audit Committee in March 2016.
<p>Final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	June to August 2016	Yes	<p>Our final accounts audit and VFM work is completed. The findings of our work were reported in the Audit Findings Report in September 2016. We issued an unqualified opinion in respect of both your financial statements and VFM conclusion.</p> <p>Our Annual Audit Letter summarising the results of our 2015/16 work is included on this agenda.</p>

Progress at November 2016



2015/16 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>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".</p> <p>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".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	March to August 2016	Yes	<p>Our VFM work is complete. The findings of our work were reported in September 2016.</p> <p>Based on the work we performed to address the significant risks, we concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.</p>
<p>Other areas of work</p> <p>Audit completion</p>	On-going	On going	<p>We have received an objection on the accounts and we are currently considering the implications of this as part of our financial statements audit for 2015/16.</p> <p>We are currently unable to issue the audit certificate due to outstanding work in relation to an objection received from a local elector.</p>

Grant Thornton Emerging Issues



Advancing closure: the benefits to local authorities

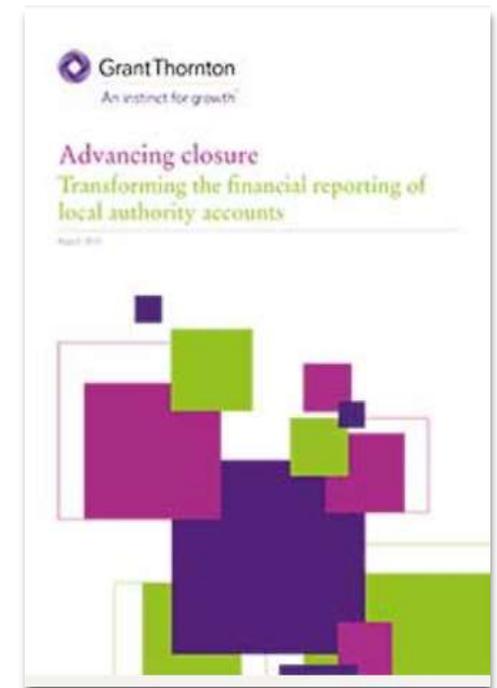
With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. From 2017-18, authorities will need to publish their audited financial statements by 31 July, with Wales seeking to follow a similar approach over the next few years.

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
- high quality financial statements as a result of improved quality assurance arrangements;
- greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;
- improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
- allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.
- While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further details:
- Enabling sustainable change requires committed leadership underpinned by a culture for success
- Efficient and effective systems and processes are essential
- Auditors and other external parties need to be on board and kept informed throughout

Grant Thornton reports



<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>

Better Together: Building a successful joint venture company

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/>

Grant Thornton reports



CFO Insights – driving performance through insight and benchmarking

Budget 2016-17 insights review

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

Data on local government revenue budgets has recently been released by the Department for Communities and Local Government (DCLG) for the current financial year, 2016/17. There have been a number of small but significant changes to local government funding and we wanted to explore, using our CFO Insights tool, the impact of these changes. As the greatest impact will be on county and single tier authorities we have decided to focus our analysis on those.



We are happy to organise a demonstration of the tool if you want to know more.

Future events and workshops

Joint Venture seminar on 6th December 2016

Following publication of our 'Better Together' report we are running a workshop in Taunton. The session will include presentations from the practitioners interviewed in preparing our report, including Arthur Hooper, Managing Director of Cormac

The event will provide an invaluable insight into setting up and running joint venture companies

For further information or to book your place, please contact your Audit Manager or Lynsey Searle
T +44 (0)117 305 7930

lynsey.searle@uk.gt.com

Mental Health Collaboration Summit on 1st December 2016

Following on from our 'joining the dots, not picking up the pieces' publication on collaborative working in Mental Health we are running our first Mental Health Collaboration summit in the Southwest. This summit provides an opportunity for sharing good practice and innovative partnership approaches that are being developed between health, police, social care and voluntary sectors. This summit offers the opportunity to gain and insight into the Southwest environment.

For further information or to book your place, please contact your Audit Manager or Michelle Weeks
T +44 (0)117 305 7830

michelle.s.weeks@uk.gt.com

Sustainability and Transformation Plans – Early learning 13th December 2016

This round table event will consider early progress in delivering this approach to joined up health provision. Our event will consider:

- how best to ensure sufficient capacity and leadership is made available to inform the STP
- methods to ensure full consultation, engagement and buy-in by all partners and stakeholders
- the importance of accurate and consistent information to inform decisions
- early wins in terms of new ways of service provision

For further information or to book your place, please contact your Audit Manager or Moira Browne
T +44 (0)117 305 7689

moira.b.browne@uk.gt.com

Grant Thornton events



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