

# Audit Committee Update

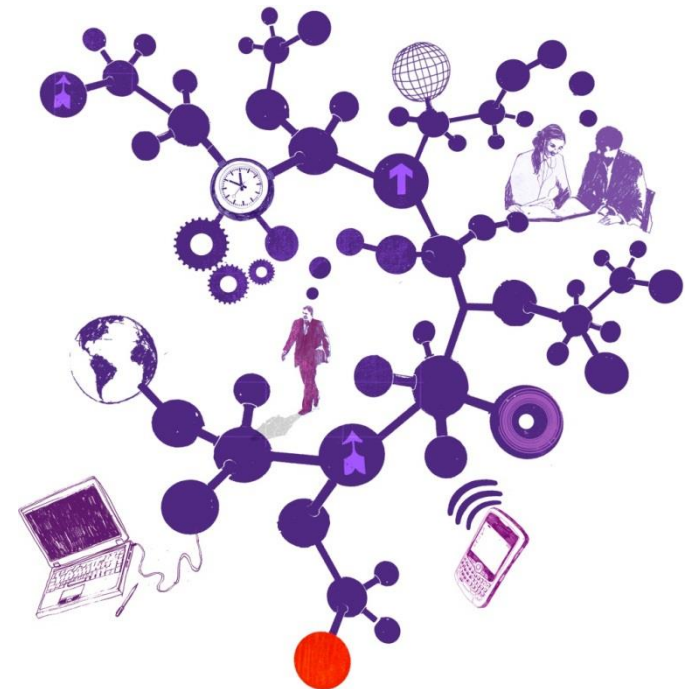
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**Year ended 31 March 2015**

March 2015

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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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# Contents

<b>Section</b>	<b>Page</b>
Introduction	4
Progress at March 2015	5
Emerging issues and developments	
Grant Thornton	7
Local government guidance	9

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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 as a Council.

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

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 March 2015

Work	Planned date
<p><b>Interim accounts audit</b> Our interim work will include:</p> <ul style="list-style-type: none"> <li>• work to understand how the Council's functions are delivered, the control environment and the framework of controls for financial systems</li> <li>• walkthrough testing to confirm whether controls are implemented in accordance with our understanding in areas where we have identified a possible risk of material misstatement</li> <li>• early substantive testing</li> <li>• early work on any emerging accounting issues.</li> </ul>	<p>January – March 2015</p> <p>The outcomes from our work to date are reported in our 2014/15 Audit Plan, which is included as a separate item on today's agenda.</p>
<p><b>2014-15 Accounts Audit Plan</b> Under auditing standards we are required to issue a detailed accounts audit plan setting out our proposed approach to the audit of the 2014-15 financial statements.</p>	<p>Our 2014/15 Audit Plan is included as a separate item on today's agenda.</p>
<p><b>2014-15 final accounts audit</b></p> <p>In 2014/15 Grant Thornton has again run accounts workshops for officers at local authorities involved in preparing the financial statements. The workshops drew attention to current issues and changes in guidance and provided the opportunity for discussion and questions. The workshops were attended by officers from the Swale finance team.</p> <p>Locally we met with the Council's finance team on 27 February 2015 to discuss closedown planning for the 2014/15 financial statements. We are also liaising with officers on a number of specific issues and queries.</p>	<p>August - September 2015</p>

# Progress at March 2015

Work	Planned date
<p data-bbox="58 329 526 361"><b>Value for Money (VfM) conclusion</b></p> <p data-bbox="58 405 1197 436">Our VfM conclusion is based on the following criteria specified by the Audit Commission:</p> <ul data-bbox="58 451 1348 558" style="list-style-type: none"><li data-bbox="58 451 1162 482">• the organisation has proper arrangements in place for securing financial resilience;</li><li data-bbox="58 496 1348 558">• the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</li></ul> <p data-bbox="58 611 1417 675">Our work will be based on a risk assessment to identify areas of risk to our VfM conclusion. The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report.</p>	<p data-bbox="1452 337 1815 368">February - September 2015</p>

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# Emerging issues and developments

# All Aboard? - Local Government Governance Review 2015

## Grant Thornton

Our fourth annual review of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

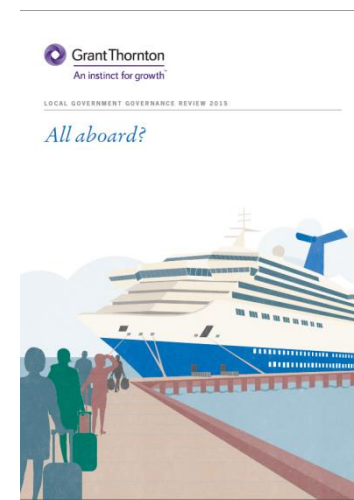
**Governance of the organisation** – the main area of concern highlighted in this year's governance survey is the level of dissatisfaction with the scrutiny process.

**Governance in working with others** – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas.

**Governance of stakeholder relations** – despite the work that a number of local authorities are doing with the public on 'co-production' almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through many other agencies. This implies a greater role for scrutiny and a need to make sure local public sector bodies' arrangements are as transparent as possible for stakeholders.

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





# Stronger futures: development of the LGPS

## Grant Thornton

Our second review on governance in LGPS funds in England and Wales is based on comprehensive research with pension fund senior officers, supported by insights from pension fund auditors. The review is available at <http://www.grant-thornton.co.uk/Publications/2015/Stronger-futures-development-of-the-LGPS/>

With the local government pensions scheme (LGPS) continuing to face significant change and challenge there is a clear commitment to ensuring its survival and the provision of affordable pension benefits for the future. Following the implementation of a career average pension scheme in 2014 administering authorities are preparing for significant changes in governance arrangements effective from April 2015.

Some of the key messages from the report are:

there are increasingly strong examples of innovation and increased collaborative working across the LGPS to achieve reduced costs and improved use of specialist skills and knowledge;

implementation of the career average scheme from April 2014 went well and demonstrated good project management and effective communication with members and employers; and

there have been several other positive trends across the LGPS since our 2013 review particularly around the widening scope of reporting to Pension Committees, including performance reporting, risk management and internal audit reviews.

However, we saw a wide variation in practice, including a concentration of risk reporting on investment risk. Over half of the funds have not implemented the CIPFA knowledge and skills framework as part of their member training, 45 per cent of Pension Committees do not receive internal audit reports and 15 per cent do not have specific internal audit coverage. Nearly half of funds have no information around the value of their liabilities between the triennial valuations.

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



# Independent Commission into Local Government Finance

## Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system for funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
- Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
- Multi-year financial settlements
- The ability to raise additional revenue through the relaxation of the rules on fees and charges

'Pioneer' authorities would also implement:

- Single placed-based budgets for all public services
- Management of funding equalisation across a sub-national area
- Further council tax reforms including the ability to vary council tax bands and undertake revaluations
- Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
- The establishment of Local Public Accounts Committees to oversee value for money across the place-based budget.



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