

Governance and Audit Committee Update for Kent County Council

Year ended 31 March 2013

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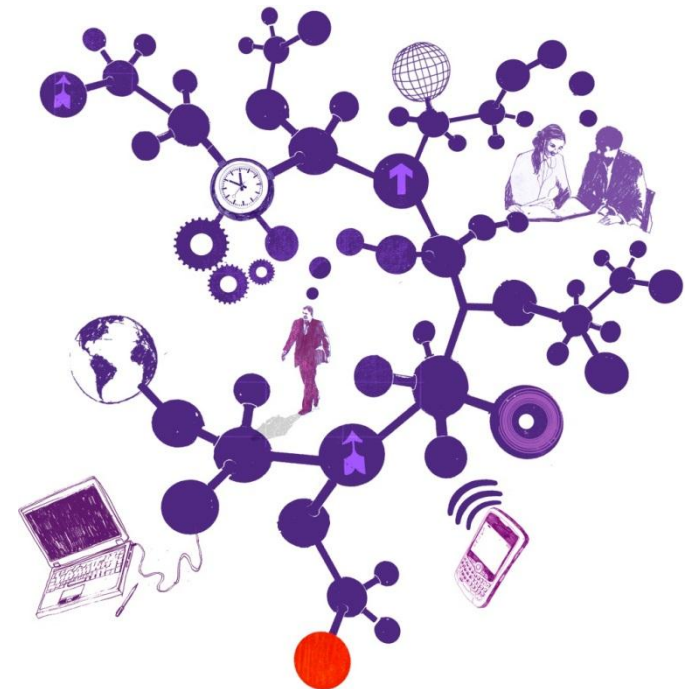
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Introduction

This paper provides the Governance and 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
- includes a number of challenge questions in respect of these emerging issues which the Governance and Audit Committee may wish to consider.

Members of the Governance and 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 – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', and 'Surviving the storm: how resilient are local authorities?'

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 2 September 2013

2012/13 Work	Planned date	Complete?	Comments
Whole of Government Accounts (WGA) We are required to audit the Whole of Government Accounts return on behalf of the National Audit Office.	September 2013	No	The Council submitted the WGA return to the DCLG by the deadline of 14 August 2013. The audit is planned for completion in September to ensure the certification by 4 October 2013.
Other areas of work – grants certification We will be required to certify the following return for the Council in 2012/13: <ul style="list-style-type: none">Teachers' Pensions Return	October 2013	No	We will liaise with officers to agree dates for audit certification once claims are submitted for audit.

Progress at 2 September 2013

2013-14 Work	Planned date	Complete?	Comments
<p>2013-14 Audit Fee Letter We prepare a fee letter annually setting out the audit and grants certification work fee for the year.</p>	March 2013	Yes	We issued the 2013/14 audit fee letter to management on 22 March 2013 and presented it to this committee in April 2013.
<p>2013-14 Accounts Audit Plan 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 2013-14 financial statements.</p>	April 2014	No	We will issue separate audit plans for the Council and Pension Fund audits following the interim accounts audit.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council 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. 	October 2013 and January 2014	No	We have had an initial planning meeting with finance officers and will undertake the risk assessment work for 2013/14 in October 2013.

Progress at 2 September 2013

Work	Planned date	Complete?	Comments
<p>2013-14 final accounts audit</p> <ul style="list-style-type: none"> audit of the 2013-14 financial statements; and proposed opinion on the Council's accounts. 	June – July 2014	No	We have monthly meetings with the Head of Financial Management and Chief Accountant, and will attend the monthly closedown champions meetings to ensure that potential accounting issues are identified early.
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2013-14 VfM conclusion is based on the reporting criteria specified by the Audit Commission.</p> <p>The Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> securing financial resilience challenging how it secures economy, efficiency and effectiveness in its use of resources. <p>Our review will focus on arrangements relating to financial governance, strategic financial planning and financial control.</p>	January – April 2014	No	We will plan the value for money conclusion work by completing the initial risk assessment in the October 2013 interim audit visit.
<p>Whole of Government Accounts (WGA)</p> <p>We are required to audit the Whole of Government Accounts return on behalf of the National Audit Office.</p>	September 2014	No	We will undertake the audit of the WGA return once the accounts audit is complete.
<p>Other areas of work – grants certification</p> <p>We will be required to certify the following return for the Council in 2013-14:</p> <ul style="list-style-type: none"> Teachers' Pensions Return 	October 2014	No	We will liaise with officers to agree dates for audit certification once claims are submitted for audit.

Emerging issues and developments

Local government guidance

Social care for older people

In July, the Audit Commission released 'Social care for older people: Using data from the VFM Profiles'. This briefing has been drawn from the Commission's Value for Money (VFM) Profiles and show councils spend on different services and how their costs and performance compare with other similar organisations.

Challenge questions:

- Has your Head of Financial Management reviewed the costs and performance of your authority against similar organisations?

Confidentiality clauses and special severance payments

In June, the National Audit Office published '[Confidentiality clauses and special severance payments](#)'.

The report concludes that 'there is a lack of transparency, consistency and accountability in how the public sector uses compromise agreements, and little is being done to change this situation. This is unacceptable for three reasons: the imbalance of power between the employer and employee leaves the system open to abuse; poor performance or working practices can be hidden from view, meaning lessons are not learned; and significant sums of public money are at stake.'

Challenge questions:

- Has the Council considered the findings of the report and identified any changes to its HR procedures?

Emerging issues and developments

Local government guidance

Local Government Pension Scheme

The Department for Communities and Local Government has launched a 'Call for evidence on the future structure of the Local Government Pension Scheme'. The consultation is asking for feedback on the objectives for structural reform and how the Local Government Pension Scheme can best achieve accountability to local taxpayers through the availability of transparent and comparable data while adapting to become more efficient and to promote stronger investment performance.

The consultation closes on 27 September 2013.

Challenge question:

- Has the Head of Financial Services reviewed the consultation and assessed the potential impact?

Emerging issues and developments

Grant Thornton

'Future Councillors – where next for local politics?'

Grant Thornton has sponsored the latest New Local Government Network (NLGN) research paper: Future Councillors – where next for local politics? Whilst more or less every aspect of what a council does is currently up for discussion, this is not the case for the role of local politicians. The report is a response to this discourse gap.

The report content is based on a series of workshops held earlier this year with a number of councillors from different local authority types, different regions and from different political parties. The workshops, which Grant Thornton attended, included a scenario-planning exercise which identified how councillors that fail to renew their democratic processes risk losing the support of their communities. The research also suggested that councils that did grasp the opportunities offered by technology and service redesign can become far more engaged with their communities, building efficient and co-operative models of local government focused on neighbourhood needs.

The report includes a chapter by Guy Clifton from Grant Thornton on the councillor's role in financial planning. The workshops identified that many elected members are keen to take a far greater role in financial planning at their authorities, particularly given the significant funding challenges being faced. During the workshops we explored the skills and capabilities that members need to effectively manage the budget setting process. These included: effective communication and stakeholder engagement, understanding financial planning tools and, perhaps most importantly, knowing what questions to ask.

Emerging issues and developments

Grant Thornton

Spending Round 2013

It was announced in the June spending round that the local government resource budget will be reduced by 10 percent in 2015/16.

As Paul Dossett, Head of Local Government at Grant Thornton UK LLP, wrote on informationdaily.com, the Chancellor 'seemingly acknowledged local government's capacity to deliver the scale of savings achieved so far. No other spending department received such positive affirmation. The Chancellor's actions imply that local government leaders are more capable of meeting the national challenge than other parts of the public sector. Over the past three years, local government members and senior officers have tightened their organisational belts and most have shown they are able to deliver significant change. The government is placing continued reliance on their resourcefulness in order to help meet the fiscal shortfalls facing the broader public sector, and many in the sector recognise this.'

'In his speech, the Chancellor recognised the benefits that more collaborative working can bring, although not on the lines subsequently suggested by the LGA. The Chancellor called for more joined-up working between police forces, and between police forces and local authorities - with a £50m innovation fund to be established to support this work. He also called for greater collaboration between health and social care services, with £200m to be transferred to local authorities from the NHS in 2014/15, and a £3.8bn pooled budget in 2015/16. In addition, £35m is to be made available to local authorities in 2015/16 to help prepare for reforms to the system of social care funding, including the cap on care costs from April 2016. There is also the £200m additional funding to the Troubled Families programme being managed by the department for Communities and Local Government.'

Challenge question:

- Has your authority reviewed your medium term financial plan in light of the Spending Round announcement and considered the action to be taken?
- How is your authority planning to work with other organisations in the public sector?

Emerging issues and developments

Accounting and audit issues

2014/15 Code of Practice on Local Authority Accounting

At the end of July, CIPFA/LASAAC released the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) Exposure Draft (ED) and Invitation to Comment (ITC) for public consultation. The significant changes proposed in the ITC include:

- IFRS 13 fair value measurement: the proposed approach would result in authorities reviewing current measurements of property, plant and equipment and for some authorities, may require remeasurement of particular assets. CIPFA/LASAAC is proposing a relaxation of the measurement requirements of IFRS 13 and IAS 16 Property, Plant and Equipment for a three year period
- introduction of the new group accounting standards
- other amendments to standards issued by the International Accounting Standards Board (IASB): amendments to IAS 32 *Financial Instruments: Presentation* to clarify the application of the new disclosure requirements introduced in the 2013/14 Code and clarification on comparative information from amendments to IAS 1 *Presentation of Financial Statements*
- local government reorganisations and other combinations: clarification of the Code's requirements and alignment with other public sector bodies
- options for the "dry run" for the move to depreciated replacement cost for local authority transport infrastructure assets as set out in the CIPFA Code of Practice on Transport Infrastructure Assets to the (Local Authority Accounting) Code.

CIPFA/LASAAC have also launched a consultation on simplifying and streamlining the presentation of local authority financial statements. The Council de-cluttered its 2012/13 financial statements so has already streamlined the presentation.

Both consultations close on Friday 11 October 2013.

Challenge questions:

- Has your authority considered whether it wishes to respond to the consultation?



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