

# Audit and Governance Committee Update Tunbridge Wells Borough Council

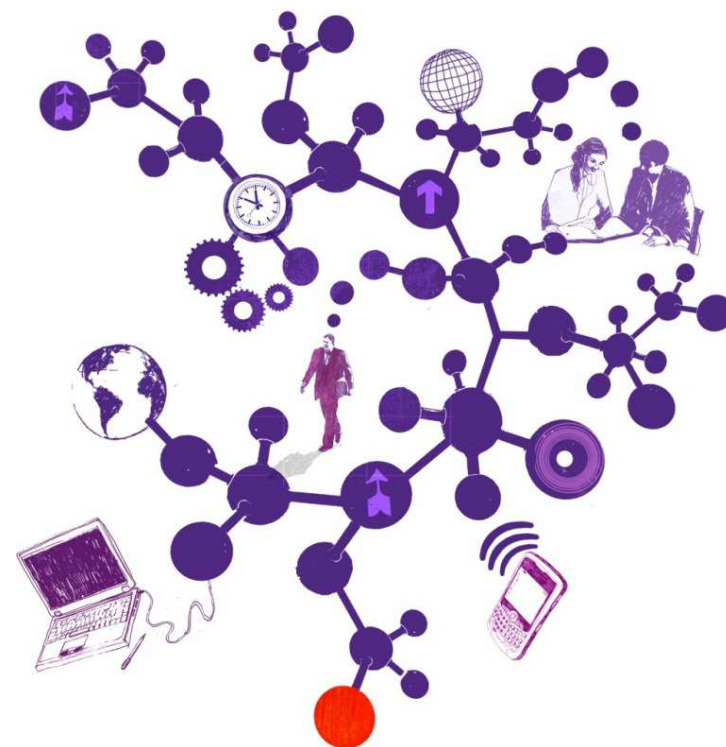
**Year ended 31 March 2016**

8 December 2015

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# Contents

| Section                          | Page |
|----------------------------------|------|
| Introduction                     | 4    |
| Progress at 8 December 2015      | 5    |
| Emerging issues and developments |      |
| Local government issues          | 7    |
| Grant Thornton                   | 10   |

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# Introduction

This paper provides the Audit and Governance 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 and Governance Committee can find further useful material on our website [www.grant-thornton.co.uk](http://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:

- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015

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 Ade or me.

|              |                    |               |  |
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# Progress at 8 December 2015

| Work  | Planned date          | Complete?   | Comments   |
|---|-----------------------|-------------|--|
| <b>2014/15 Annual Audit Letter</b><br><br>We are required to issue an Annual Audit Letter for 2014/15 by the end of October 2015.   | October 2015          | Yes         | AAL issued 9 October and on today's agenda to note.  |
| <b>2014/15 Grant Report</b><br><br>Grant certification of the 2014/15 housing benefit claim.  | November 2015         | Yes         | Claim return was certified with amendment on 26 November. Grant report was issued 26 November and is on today's agenda.  |
| <b>2015/16 Accounts Fee Letter</b><br><br>We are required to issue a 'Planned fee letter for 2015/16' by the end of April 2015.   | April 2015            | Yes         | <p>The Commission published the work programme and scales of fees for the audit of the 2015/16 accounts of principal audited bodies, including the lists of fees for individual bodies. The Commission has reduced scale audit fees for local government by 25%. The fee reductions are expected to apply until the end of the audit contracts in 2017, subject to annual review. There are no changes to the work programme for 2015/16.</p> <p>The fee letter dated 13 April 2015 confirmed the 2015/16 scale audit fee as £51,230.</p> <p>After the Commission's closure, the 2015/16 work programme and fees is accessible from the PSAA website <a href="http://psaa.co.uk">psaa.co.uk</a>.</p> |
| <b>2015-16 Accounts Audit Plan and audit</b><br>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. | Dec 2015 - April 2016 | In progress | Our planning and interim work on the accounts and value for money has commenced and the results will be reported to the committee Audit Plan to be presented to the committee in March 2016.   |

## Progress at 8 December 2015 continued

| Work  | Planned date     | Complete?   | Comments  |
|---|------------------|-------------|---|
| <b>2015-16 final accounts audit</b><br>Including: <ul style="list-style-type: none"> <li>• audit of the 2015-16 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul> | June – July 2016 | Not started | Our final accounts audit will be carried out in accordance with the agreed timetable.   |
| <b>2015-16 Value for Money (VfM) conclusion</b><br>The scope of our work to inform the 2015-16 VfM conclusion is due to be finalised in November 2015.  | Jan – Apr 2016   | Not started | The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. Page 9 sets out further details. |
| <b>Other areas of work</b><br>Grant certification of the 2015-16 housing benefit claim.   | November 2016    | Not started |   |

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# Emerging issues and developments:

## Councils must deliver local plans for new homes by 2017

### Local government issues

The Prime Minister announced on 12 October that all local authorities must have plans for the development of new homes in their area by 2017, otherwise central government will ensure that plans are produced for them. This will help achieve government's ambition of 1 million more new homes by 2020, as part of the newly announced Housing and Planning Bill.

The government has also announced a new £10 million Starter Homes fund, which all local authorities will be able to bid for. The Right to Buy Scheme has been extended with a new agreement with Housing Associations and the National Housing Federation. The new agreement will allow a further 1.3 million families the right to buy, whilst at the same time delivering thousands of new affordable homes across the country. The proposal will increase home ownership and boost the overall housing supply. Housing Association tenants will have the right to buy the property at a discounted rate and the government will compensate the Housing Associate for their loss.

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# George Osborne sets out plans for local government to gain new powers and retain local taxes

## Local government issues

The Chancellor unveiled the "devolution revolution" on 5 October involving major plans to devolve new powers from Whitehall to Local Government. Local Government will now be able to retain 100 per cent of local taxes and business rates to spend on local government services; the first time since 1990. This will bring about the abolition of uniform business rates, leaving local authorities with the power to cut business rates in order to boost enterprise and economic activity within their areas. However, revenue support grants will begin to be phased out and so local authorities will have to take on additional responsibility. Elected Mayors, with the support of local business leaders in their LEPs, will have the ability to add a premium to business rates in order to fund infrastructure, however this will be capped at 2 per cent.

There has been a mixed reaction to this announcement. Some commentators believe that this will be disastrous for authorities which are too small to be self-sufficient. For these authorities, the devolution of powers and loss of government grants will make them worse off. It has also been argued that full devolution will potentially drive up council's debt as they look to borrow more to invest in business development, and that this will fragment the creditworthiness of local government.



# Code of Audit Practice

## National Audit Office

Under the Local Audit and Accountability Act 2014 the National Audit Office are responsible for setting the Code of Audit Practice which prescribes how local auditors undertake their functions for public bodies, including local authorities.

The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. This is available at <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf>

The Code is principles based and will continue to require auditors to issue:

- Opinion on the financial statements
- Opinion on other matters
- Opinion on whether the organisation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO plan to supplement the new Code with detailed auditor guidance in specific areas. The published draft audit guidance for consultation on the auditor's work on value for money arrangements in August 2015, which is due to be finalised in November 2015. The draft guidance includes the following.

- Definition of the nature of the opinion to be given – i.e. a "reasonable assurance" opinion as defined by ISAE 300 (revised)
- Definitions of what could constitute "proper arrangements" for securing economy, efficiency and effectiveness in the use of resources
- Guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified
- Evaluation criteria to be applied
- Reporting requirements.

Grant Thornton submitted a response to the consultation which closed on 30 September 2015.

# Supporting members in governance

## Grant Thornton and the Centre for Public Scrutiny

We have teamed up with the Centre for Public Scrutiny to produce a member training programme on governance. Elected members are at the forefront of an era of unprecedented change, both within their own authority and increasingly as part of a wider local public sector agenda. The rising challenge of funding reductions, the increase of alternative delivery models, wider collaboration with other organisations and new devolution arrangements mean that there is a dramatic increase in the complexity of the governance landscape.

Members at local authorities – whether long-serving or newly elected – need the necessary support to develop their knowledge so that they achieve the right balance in their dual role of providing good governance while reflecting the needs and concerns of constituents.

To create an effective and on-going learning environment, our development programme is based around workshops and on-going coaching. The exact format and content is developed with you, by drawing from three broad modules to provide an affordable solution that matches the culture and the specific development requirements of your members.

- Module 1 – supporting members to meet future challenges
- Module 2 – supporting members in governance roles
- Module 3 – supporting leaders, committee chairs and portfolio holders

The development programme can begin with a baseline needs assessment, or be built on your own understanding of the situation.

Further details are available from your Engagement Lead and Audit Manager



# Knowing the Ropes – Audit Committee Effectiveness Review

## Grant Thornton

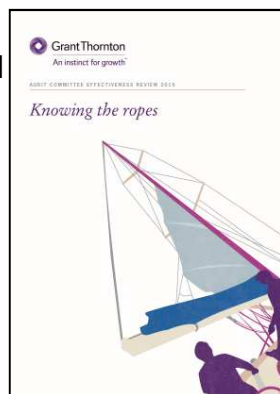
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. It is available at <http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

The report is structured around 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?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.





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