

Audit, Governance and Standards  
Committee Progress and Update  
Report for Maidstone Borough Council  
*Year ended 31 March 2016*

11 July 2016

**Darren Wells**

Engagement Lead

**T** 01293 554 120

**E** darren.j.wells@uk.gt.com

**Matt Dean**

Engagement Manager

**T** 020 7728 3181

**E** matthew.dean@uk.gt.com

**Pratheesh Kulendran**

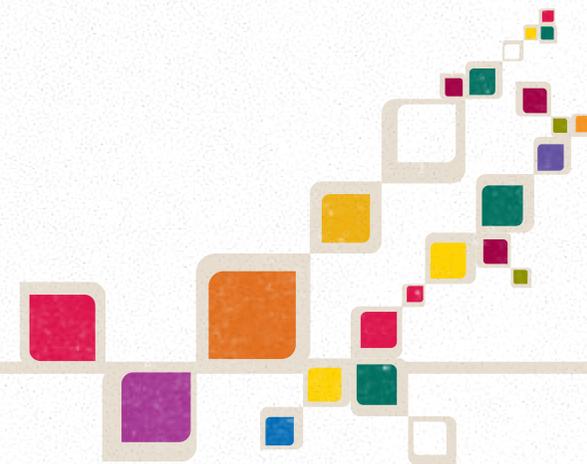
Executive

**T** 07792 549 288

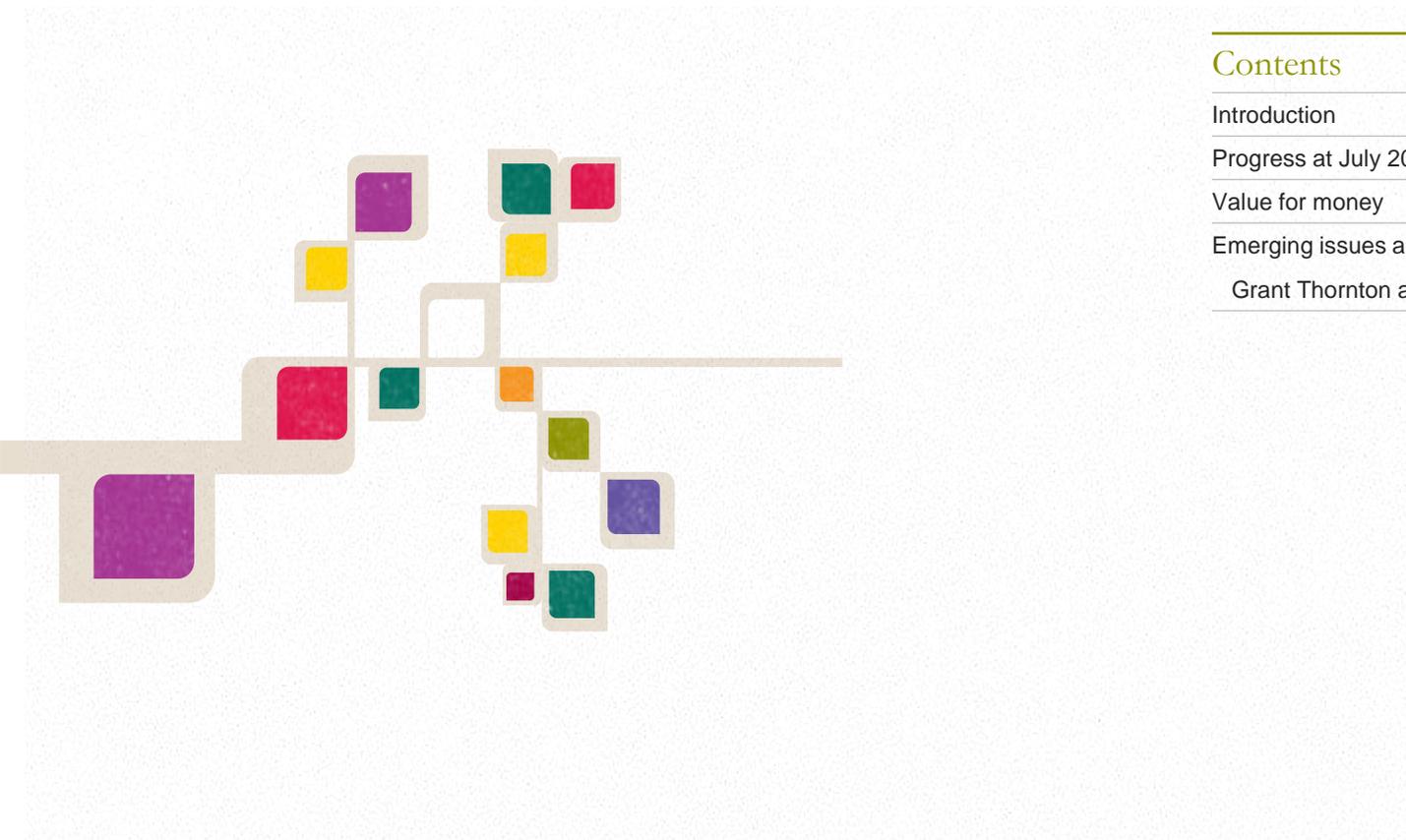
**E** pratheesh.kulendran@uk.gt.com



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.



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# Introduction

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

Members of the Audit, Governance and Standards 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. Here you can download copies of our publications including:

- Better Together: Building a successful joint venture company;  
<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ;  
[www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/](http://www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/)
- Making devolution work: A practical guide for local leaders (October 2015)  
[www.grantthornton.co.uk/en/insights/making-devolution-work/](http://www.grantthornton.co.uk/en/insights/making-devolution-work/)

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.



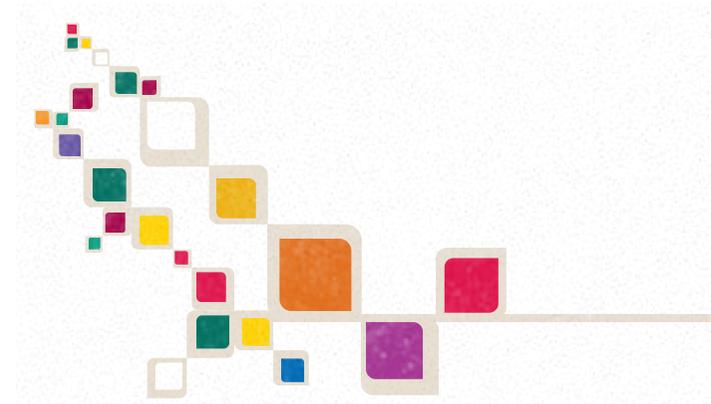
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**Darren Wells**  
Engagement Lead  
**T** 01293 554 120  
**E** [darren.j.wells@uk.gt.com](mailto:darren.j.wells@uk.gt.com)



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**Matthew Dean**  
Engagement Manager  
**T** 020 7728 3181  
**E** [matthew.dean@uk.gt.com](mailto:matthew.dean@uk.gt.com)



# Progress at 11 July 2016



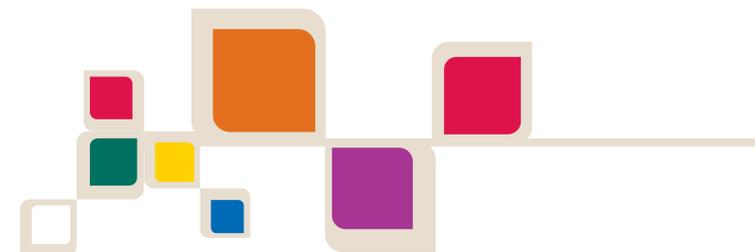
 **Progress against plan**  
On track

 **Opinion and VfM conclusion**  
Plan to give before deadline of 30 September 2016

 **Outputs delivered**  
Fee letter, Progress Reports, delivered to plan

2015/16 work	Completed	Comments
<p><b>Accounts Audit Plan</b> 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> <p>We also inform you of any subsequent changes to our audit approach.</p>	March 2016	This was presented to and approved by the Audit, Governance and Standards Committee in March 2016. We confirm there have been no changes to the Plan with the exception of an update on our Value for Money work, which can be seen within this Report.
<p><b>Fee Letter</b> We are required to issue a 'Planned fee letter for 2015/16' by the end of April 2015.</p>	April 2015/April 2016	<p>The 2015-16 fee letter was issued during April 2015 and confirmed a fee of £50,475 for the 2015-16 Accounts Audit.</p> <p>We have also recently issued the fee letter for 2016/17, which confirms no change from the planned fee for the 2015-16 Audit. This fee letter is on the agenda for this meeting of the Audit, Governance and Standards Committee.</p>

# Progress at 11 July 2016



2015/16 work	Completed	Comments
<p><b>Final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• Audit of the 2015-16 financial statements</li> <li>• proposed opinion on the Council's accounts</li> </ul>	<p>Planned for July – currently in progress</p>	<p>We are planning to complete our audit by the end of July as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>To help the Council prepare appropriate evidence to support the financial statements, we have provided a schedule of the working papers that we require and discussed the implications of emerging accounting matters with finance staff.</p> <p>We have arranged to receive the draft financial statements by the end of June, and will report the findings from our work within our Audit Findings Report which will be presented to the Audit, Governance and Standards Committee in September 2016.</p>
<p><b>Value for Money (VfM) conclusion</b> 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"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	<p>Field work in March – July, formal conclusion reported by 30 September 2016</p>	<p>We have set out the result of our risk assessment and the proposed focus of our work on pages 7 and 8 of this Report</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report.</p> <p>We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.</p>
<p><b>Other activities</b> We provide a range of workshops, along with network events for members and publications to support the Council.</p>	<p>February 2016</p> <p>On-going</p>	<p>We have provided a local workshop covering changes to accounting standards and the Code of Practice, and emerging issues and future developments, to support officers involved in the preparation of the Financial Statements.</p> <p>Further details of the publications that may be of interest to the Council are set out from page 12.</p>

# Value for Money

## Background

The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015.

The Act and the NAO guidance state that auditors are only required to report by exception where they are not satisfied that NHS bodies have proper arrangements in place to secure value for money. However, we are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council.

The guidance identifies a criterion for auditors to evaluate, which is:

*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.*

This is supported by three sub-criteria as set out in the table to the right.

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> <li>Acting in the public interest, through demonstrating and applying the principles and values of good governance</li> <li>Understanding and using appropriate cost and performance information to support informed decision making and performance management</li> <li>Reliable and timely financial reporting that supports the delivery of strategic priorities</li> <li>Managing risks effectively and maintaining a sound system of internal control.</li> </ul>
Sustainable resource deployment	<ul style="list-style-type: none"> <li>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</li> <li>Managing assets effectively to support the delivery of strategic priorities</li> <li>Planning, organising and developing the workforce effectively to deliver strategic priorities.</li> </ul>
Working with partners and other third parties	<ul style="list-style-type: none"> <li>Working with third parties effectively to deliver strategic priorities</li> <li>Commissioning services effectively to support the delivery of strategic priorities</li> <li>Procuring supplies and services effectively to support the delivery of strategic priorities.</li> </ul>

# Value for money

## Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements;
- illustrative significant risks identified and communicated by the NAO in its Supporting Information;
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

*A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*

We have set out below the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks

Significant risk	Link to sub-criteria	Work proposed to address
<p><b>Financial position</b>                      Whilst you are on course to meet your financial outturn for 2015-16, the longer term picture looks more challenging due to the Council's Revenue Support Grant Funding ending sooner than originally planned. As a result the Council needs to identify a considerable level of savings over next five years as part of its Medium Term Financial Plan to reduce the level of reserves needed to achieve financial balance.</p>	<p><b>Sustainable resource deployment</b>                      This links to your arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</p>	<p>We propose to:</p> <ul style="list-style-type: none"> <li>• review relevant Council and other committee papers;</li> <li>• review the 2015-16 financial outturn against plan, and investigate any significant areas of over/underperformance and the reasons behind these.</li> <li>• review the progress against the 2016-17 financial plan up to the completion of our audit; and</li> <li>• obtain an update on the Council's Medium Term Financial Strategy, including progress on identifying the savings required in coming years, including discussions with Management on progress to date.</li> </ul>

# Grant Thornton and CIPFA Publications



# 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

Grant Thornton  
An instinct for growth

ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together  
Building a successful  
joint venture company



# Fighting Fraud and Corruption Locally

CIPFA publication

**Fighting Fraud and Corruption Locally** is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>





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