

Audit Committee  
Tonbridge & Malling Borough Council  
Progress Report and Update  
Year ended 31 March 2016

June 2016

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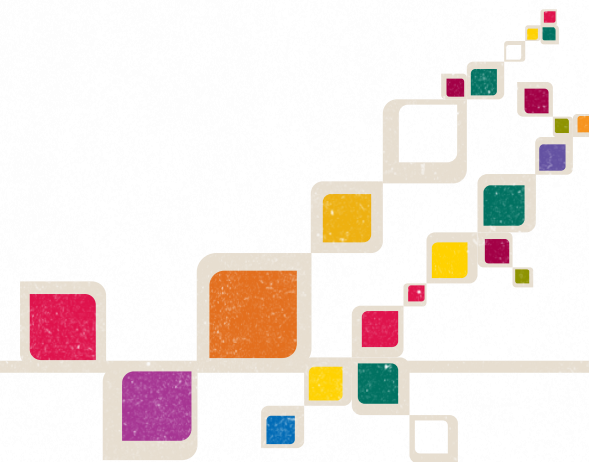
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to 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.



# Introduction

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

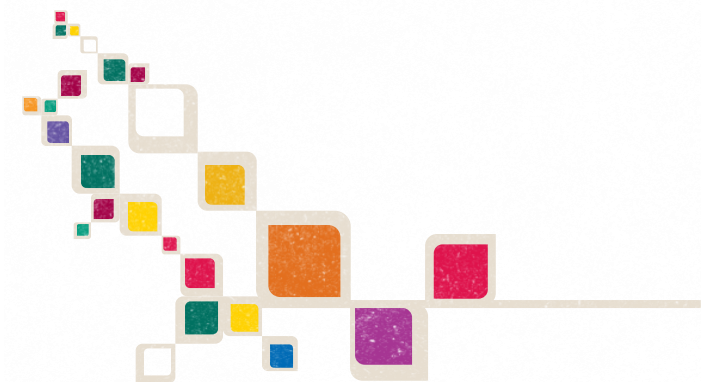
The paper also includes a summary of emerging national issues and developments that may be relevant to you as a Council.

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.

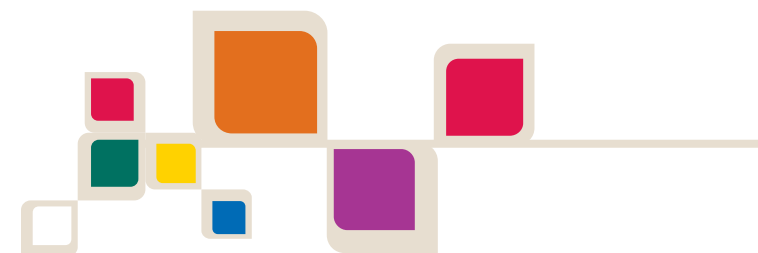
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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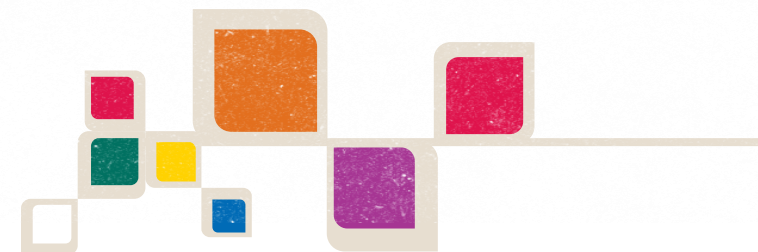


# Progress at June 2016



2015/16 work	Planned Date	Comments
<p><b>Interim accounts audit</b>                      Our interim work will include:</p> <ul style="list-style-type: none"> <li>• work to understand 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>February – March</p>	<p>A summary of findings from our interim audit work is included in this report.</p>
<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>March</p>	<p>Our Audit Plan was presented to the 5 April Audit Committee.</p>
<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> <li>• proposed Value for Money conclusion</li> <li>• 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</li> </ul>	<p>July</p>	<p>A schedule of working paper requirements for the 2015/16 audit has been shared with the finance team.</p>

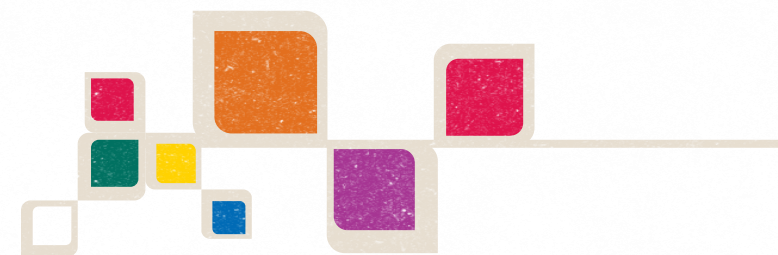
# Progress at March 2016



2015/16 work	Planned Date	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>Work to reach a conclusion on whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>The National Audit Office (NAO) has issued revised guidance to auditors on the work required to conclude if audited bodies have proper arrangements in place to secure economy, efficiency and effectiveness in their use of resources. This guidance applies for 2015/16 and is available at <a href="https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/">https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/</a></p> <p>Auditors are now required to reach their statutory conclusion based on the following overall evaluation criterion: "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 guidance also identifies sub-criteria intended to guide auditors in reaching their overall conclusion:</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>We are required to report by exception if we conclude that we are not satisfied that the CCG has in place proper arrangements to secure value for money in the use of its resources for the relevant period.</p> <p>We have performed an initial risk assessment under the new guidance. Our findings are reported in our 2015/16 Audit Plan.</p>	<p>March - July</p>	<p>Our work is in progress. There our no changes to the initial risk assessment reported to the 5 April Audit Committee.</p>

# Results of interim audit work

Findings from our interim audit work, and the impact of our findings on the accounts audit approach, are summarised below.



	Work performed	Conclusion
<b>Internal audit</b>	We have completed a high level review of the Council's overall arrangements for internal audit.	We have concluded that the arrangements for internal audit contribute to an effective internal control environment.
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• communication and enforcement of integrity and ethical values</li> <li>• commitment to competence</li> <li>• participation by those charged with governance</li> <li>• management's philosophy and operating style</li> <li>• organisational structure</li> <li>• assignment of authority and responsibility</li> <li>• human resource policies and practices.</li> </ul>	Our work has not identified any material weaknesses which are likely to adversely impact on the Council's financial statements.
<b>IT controls</b>	<p>As part of our review of internal controls our information systems specialist will perform a high level review of the Council's general IT control environment.</p> <p>We have agreed with officers that this work will be performed in June 2016.</p>	
<b>Walkthrough testing</b>	We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.	Our work has not identified any weaknesses which impact on our audit approach.

# Grant Thornton Publications



# Better Together: Building a successful joint venture company

Grant Thornton reports

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/>



ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together  
Building a successful  
joint venture company





# Local Government Accounting and other issues



# 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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