



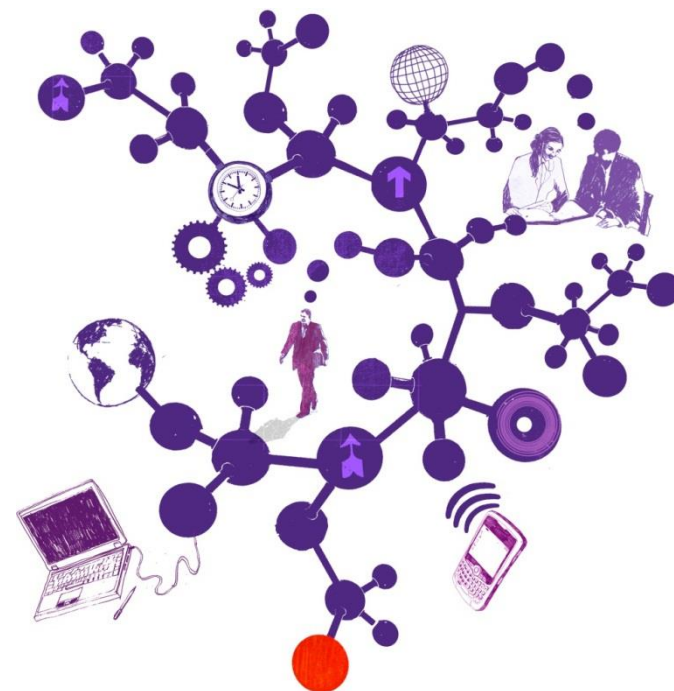
# Audit Committee Update for Tonbridge & Malling Borough Council

**Year ended 31 March 2015**

January 2015

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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 January 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>	January – March 2015
<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>	March 2015
<p><b>2014-15 final accounts audit</b> Work to complete our audit of the 2014-15 financial statements.</p>	July - September 2015
<p><b>Value for Money (VfM) conclusion</b> Our VfM conclusion is based on the following criteria specified by the Audit Commission:</p> <ul style="list-style-type: none"> <li>• the organisation has proper arrangements in place for securing financial resilience;</li> <li>• the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</li> </ul> <p>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>	February - September 2015

# Rising to the Challenge

## Grant Thornton

This report published in December 2014 is the fourth in our series of annual reports on the financial health of local government.

Like previous reports it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

The overall message is a positive one. What stands out is how local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010.

However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams – both officers and members – have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

# 2020 Vision

## Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV) our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to overcome these challenges.

Placed in the context of enhanced devolution following the Scottish independence referendum 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the lifetime of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios\* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

# Where Growth Happens

## Grant Thornton

Our national report 'Where Growth Happens' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Where-growth-happens-The-high-growth-index-of-places/>

As the UK emerges from recession, increasing attention is being given both nationally and locally as to how to accelerate economic sector growth. Our report presents the findings of research undertaken by our Place Analytics team on the dynamics of local growth. It gives FDs and CEOs of local authorities and LEPs:

- an insight into the geographic areas of high growth and dynamic growth (ie the quality of growth)
- an understanding of the characteristics of both growing and dynamic places to help frame policy and sustain future growth
- an understanding of growth corridors and their implications, not only for UK policy makers, but also for those locally sitting within and outside the corridors
- an insight into the views of different leaders charged with making growth happen in their locality.

The report provides a ranking of English cities according to their economic growth over an eight year period (2004 – 2012). Outside of London – which has eight of the top 10 best performing districts overall – it places Manchester, Birmingham and Brighton and Hove in the top three, as measured by economic, demographic and place (dwelling stock and commercial floor space) growth.

The analysis also assesses the quality of local growth - or 'dynamism' - to identify areas with a vibrant and dynamic economy capable of supporting future expansion, based on five key drivers. London again tops the ranking, with nine out of the top 10 dynamic growth areas. Outside the capital, Cambridge, Reading and Manchester top the list of future sustainable growth.

Based on this analysis of past progress and future prospects, our report reveals a number of 'growth corridors' – functional and large scale local economic areas in England – which are playing a significant role in the country's overall growth levels. Though predominantly stemming from London, the intra-city growth corridors include a number of other large cities at their core, creating a network of key strategic linkages between high growth and dynamic areas.



# Best Practice in Local Government Savings

## Local government guidance

Grant Thornton and Shared Intelligence were commissioned by DCLG to undertake a national review of good practice in local government savings. The report has now been published at <https://www.gov.uk/government/publications/good-practice-in-local-government-savings>

This report examines how local authorities are making savings that do not adversely impact upon frontline services or the voluntary sector. The study involved an online survey of local authorities, follow-up telephone interviews and 10 in-depth case studies.

Authorities reported that the service areas in which they have made the most significant savings to date were central services, adult social care and environmental and regulatory services. Looking forward they envisage that fewer savings are likely to be achieved in central and environmental and regulatory services, that adult social care will remain important and that children's services will become increasingly important. Councils reported that they have used a combination of approaches to achieve savings, of which the top three were changes to organisational structure, process and back office improvements and service re-design.

The main areas in which districts report having pursued savings are in central services and environmental and regulatory services. District councils are comparatively successful in achieving budgeted savings, having typically over-achieved in relation to these two main areas. Shared services and collaboration with other councils is a far more significant approach for securing savings for districts than it is for other types of council. Improved contracting is also significant. Given the nature of the services districts provide, this looks set to continue.

Effective corporate and political leadership was cited by the councils that responded to the survey as the most important enabling factor in securing savings, as well as the council having established a culture of securing savings and delivering change more generally. Overall the report identifies six attributes of effective local government savings and efficiency programmes. These are;

- high quality, sustained leadership: both political and managerial
- close partner engagement: including co-design with local communities and business partners;
- effective governance and programme management: including clarity about the scope of the project
- paying attention to culture and ways of working
- community responsiveness
- being part of a longer journey: projects at the ambitious end of the spectrum are not a quick fix.

# Auditing the Accounts

## Local government guidance

The Audit Commission has published "Auditing the Accounts 2013/14: Local government bodies". This report summarises the results of auditors' work for 2013/14 at principal local government bodies and small bodies. It covers the timeliness and quality of financial reporting and summarises:

- auditors' work on the 2013/14 financial statements;
- auditors' work on the Whole of Government Accounts returns;
- auditors' local value for money work;
- public interest reports and statutory recommendations issued by auditors since December 2013; and
- the key financial reporting challenges facing bodies for 2014/15 and beyond.

The Commission reports that auditors were able to issue the audit opinion by 30 September 2014 at 99 per cent of councils, 90 per cent of fire and rescue authorities, 97 per cent of police bodies, all other local government bodies and 99 per cent of both parish councils and internal drainage boards. This is consistent with last year for most groups, but an improvement for councils and small bodies compared to 2012/13.

Sixteen principal local government bodies received an unqualified audit opinion by 31 July 2014 and published their audited accounts promptly. At the date of preparing the report there were no qualified audit opinions on principal bodies' 2013/14 accounts. The majority of small bodies (89 per cent of parish councils and 84 per cent of internal drainage boards) received an unqualified opinion on their 2013/14 annual return by 30 September.

The Audit Commission notes that since the publication of the first "Auditing the Accounts report" for 2008/09 there has been a significant improvement in the performance of both principal and small bodies in meeting their financial reporting responsibilities.

# Managing Council Property Assets

## Local government guidance

The Audit Commission has issued its briefing paper **Managing Council Property Assets: Using Data from the VFM Profiles**

In the paper the Audit Commission:

- advocates that councils should be active and strategic managers of their estates – understanding property markets and asking questions about the properties they own or lease,
- prompts councils to consider whether assets are in the right place, whether they should keep, sell, or transfer them, and how much they should invest in building, buying and maintaining property,
- invites local authorities to balance the value realised through sales of surplus assets, against the cost of maintaining them.

The background to the briefing is the collation of information from the government's capital outturn return which identifies that the local government estate has a net book value of £169.8 billion of which £2.5 billion have been classified as 'surplus' assets. In this context the Audit Commission is calling on councils to ensure they have a strategic approach to managing these assets, in order to get the best value for money they can from this portion of the local government estate.



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