

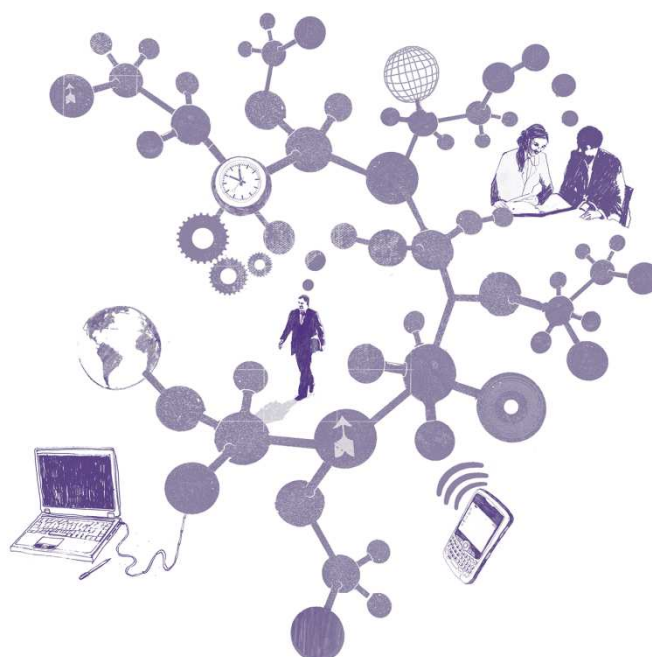
Dover District Council Governance Committee Update

Year ended 31 March 2015
June 2015

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Introduction

This paper provides the 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 summary of emerging issues relevant to the Committee's role which the Committee may wish to consider.

Members of the Governance 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 (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Welfare Reform – Easing the Burden
- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

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.

Progress at March 2015

Work	Planned date	Complete ?	Comments
2014-15 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 2014/15 financial statements.	March 2015	June 2015	The Audit Plan will be presented to the Governance Committee alongside this update paper.
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • updating our review of the Council's 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. 	November 2014 - March 2015	June 2015	The findings from our interim visit are included in the audit plan which will be presented to the Governance Committee alongside this update paper.
2014-15 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts. 	July 2015 - August 2015	Not yet due	The findings will be provided in our Audit Findings Report, to be presented to the September Governance Committee.

Progress at March 2015

Work	Planned date	Complete ?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2014/15 VfM conclusion is based on the reporting criteria specified by the Audit Commission that the Council has proper arrangements in place for: <ul style="list-style-type: none"> • Securing financial resilience – focusing on financial governance arrangements, strategic financial planning and financial control • Challenging how it secures economy, efficiency and effectiveness in its use of resources 	November 2014 - September 2015	Not yet due	The audit plan, presented to the Governance Committee alongside this update paper, includes details of our planned audit work on the vfm conclusion. The findings will be reported in our Audit Findings Report, to be presented to the Governance Committee in September 2015.
Grant Certification We are required to certify the Housing Benefit Claim in 2014/15	June 2015 - November 2015	Not yet due	The Grants Audit Plan was presented to the Governance Committee in March 2015. Initial testing will be completed to support the work on the financial statements by end September 2015. Additional testing arising from the results of the initial testing will be agreed with officers to ensure that this can be completed before 30 November 2015 submission deadline.
Other activity undertaken Since our last committee: Since the last Governance Committee: <ul style="list-style-type: none"> • We have invited officers to our tax seminar • We have circulated our recent thought leadership documents on Welfare Reform and LA trading companies 	-	-	We would always be happy to discuss any other ways in which Grant Thornton can support the Council.

All Aboard? - Local Government Governance Review 2015

Grant Thornton

Our fourth annual review of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

Governance of the organisation – the main area of concern highlighted in this year's governance survey is the level of dissatisfaction with the scrutiny process.

Governance in working with others – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas

Governance of stakeholder relations – despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through other agencies. This implies a greater role for scrutiny and a need to make sure local public sector bodies' arrangements are as transparent as possible for stakeholders.

Hard copies of our report are available from your Engagement Lead or Manager.

Welfare Reform – Easing the Burden May 2015

Grant Thornton

Our second annual review of local government governance is available at <http://www.grant-thornton.co.uk/Global/Easing-the-burden-welfare-reform-report.pdf>

It follows on from last years report, 'Reaping the benefits', and looks at:

- the impact of reform on the strategy and finances of local authorities and their partners
- the extent to which the impact of the reforms on welfare recipients has had direct consequences for local authorities and housing associations
- examples of best practice
- high level recommendations for local authorities and housing associations.

For the local authorities and housing associations surveyed the key impact of welfare reform to date includes:

The cumulative effect of various welfare reforms is putting a significant financial strain on those needing support - the majority of local authorities and housing associations in the survey had seen a rise in average council tax and rent arrears since 2012/13, which they attributed at least partly to welfare reform.

Bedroom tax and benefit cap reforms have not been as effective as planned - Reforms to housing benefit have led to increased movement to smaller properties, but generally less than 10% of those affected have moved. A shortage of smaller properties for people to move to plays a key role in this.

Local authorities are relying on DHP to plug the gap for those unable to pay - Ninety-five per cent of local authorities think that recipients of DHP allocations are either wholly or partly dependent on DHP to avoid homelessness in the longer term. Any proposed reduction in DHP funding from central government is therefore likely to result in further increases to rent arrears and homelessness in the next two years, unless mitigated by other means.

The cost of administering housing benefit has risen as a result of welfare reform - Following reform, 47% of local authorities and 51% of housing associations surveyed said housing benefit is significantly more costly to administer, partly due to the increased complexity of cases

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Earlier closure and audit of accounts

Accounting and audit issues

Legislation was recently passed to bring forward the deadlines for the preparation and audit of Local Government financial statements from 2017/18 onwards. The timeframes for the preparation of the financial statements and their subsequent audit will be reduced by one month and two months respectively as follows:

- Deadline for preparation of financial statements – 31 May (currently 30 June)
- Deadline for audit completion – 31 July (currently 30 September)

Although July 2018 is over 3 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management.

Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Auditors are already working on bringing forward testing to before the financial statements are prepared and will be discussing further changes with local authorities including greater use of estimates in the accounts which will enable the audits to be brought forward further.

Some authorities currently produce their financial statements ahead of the current deadline, or have plans to do so in 2014/15, and some audits are completed before 31 July.

We will be assessing how this has been achieved and will share our findings in a national report, expected in early 2016.



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