



# Governance Committee Update for Dover District Council

**Year ended 31 March 2013**

31 May 2013

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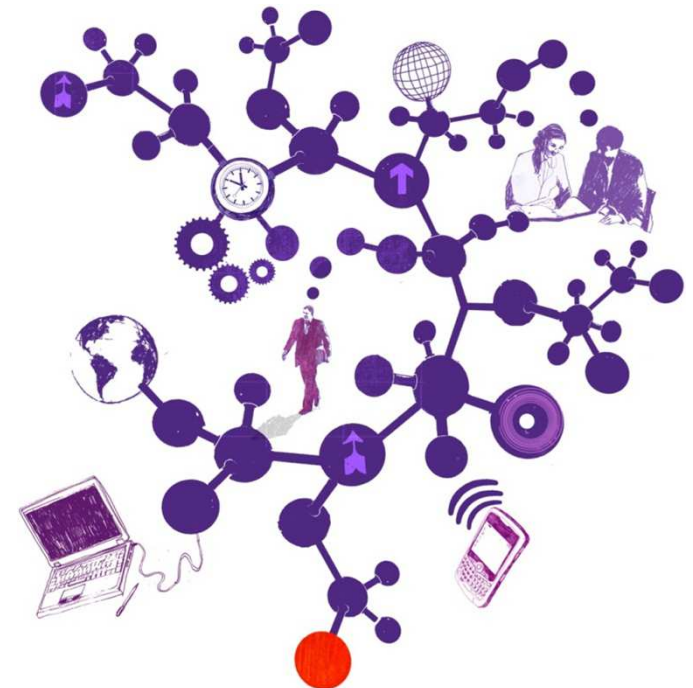
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

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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 as a local authority
- includes a number of challenge questions in respect of these emerging issues 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](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 – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

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 Audit Manager.

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## Progress at 31 May 2013

Work	Planned date	Complete?	Comments
<p><b>2012-13 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 2012-13 financial statements.</p>	28 February 2013	Yes	We agreed the accounts audit plan with officers and presented it to the Governance Committee in March 2013.
<p><b>Interim accounts audit</b> Our interim fieldwork visits include the following:</p> <ul style="list-style-type: none"> <li>• review of the Council's control environment</li> <li>• documentation and walkthrough of financial systems</li> <li>• review of Internal Audit and their reports on core financial systems</li> <li>• early substantive testing</li> </ul>	<p>On-going w/c 4 March 2013</p> <p>w/c 28 February 2013</p> <p>April 2013</p>	<p>Yes</p> <p>Substantially complete</p> <p>Yes</p> <p>Yes</p>	<p>We have reviewed the Council's control environment and confirmed that it is designed effectively.</p> <p>We carried out our first interim visit in March 2013. During the visit we documented the Council's financial systems and carried out the majority of the required walkthroughs. We reported the results of the interim work in our accounts audit plan.</p> <p>We will report the findings of all substantive testing in our Audit Findings report.</p>
<p><b>2012-13 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2012-13 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• Whole of Government Accounts review</li> </ul>	22 July- 17 August 2013	No	We held an initial liaison meeting with officers in January to discuss emerging accounts issues and agree the dates of our final accounts audit visit. We have sent an arrangements letter to officers, which clarifies the working papers we would expect the Council to produce to support its financial statements. Our year end audit visit is planned for completion in July and August 2013.

## Progress at 31 May 2013

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2012/13 VfM conclusion is based on the reporting criteria specified by the Audit Commission:</p> <p>The Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> <li>• securing financial resilience</li> <li>• challenging how it secures economy, efficiency and effectiveness in its use of resources.</li> </ul> <p>Our review will focus on arrangements relating to financial governance, strategic financial planning and financial control.</p>	w/c 8 April 2013	No	<p>We have completed our VfM planning. The specific areas we plan to review are set out in our audit plan.</p> <p>We carried out the majority of our financial resilience review work in April 2013. Work will be concluded during the year end final accounts audit.</p> <p>We will report our findings in a separate Financial Resilience report alongside our Audit Findings report in September 2013.</p>
<p><b>Other areas of work – grant certification</b></p> <p>We will be required to certify the following grants for the Council in 2012/13:</p> <ul style="list-style-type: none"> <li>• Housing and council tax benefit</li> <li>• National non domestic rates</li> <li>• Pooling of housing capital receipts (if value of claim greater than £500,000)</li> </ul>	<p>Dates for individual grants yet to be agreed. We will carry out the majority of the certification work before the end of September 2013</p>	No	<p>Dates of grant certification work have been discussed with officers. These have been scheduled to ensure compliance with all grant certification deadlines.</p> <p>The housing and council tax benefit grant is the only grant where we need to carry out a substantial amount of work. We started our initial testing on this claim at the end of May. All initial testing will be completed before the end of September and used to support our audit opinion on the financial statements.</p>

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# Emerging issues and developments

## Accounting and audit issues

### LAAP Bulletin 96: Closure of the 2012/13 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued LAAP Bulletin 96. The bulletin provides further guidance and clarification to complement CIPFA's 2012/13 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- a reminder that authorities should tailor CIPFA's example financial statements to meet their own reporting needs in order to give a true and fair view of their own financial position and performance
- the need for billing and precepting authorities to disclose their share of non-domestic rate appeals liabilities that transferred to them on 1 April 2013
- accounting for carbon reduction commitment (CRC) energy efficiency scheme assets.

Challenge question:

- Has your Head of Financial Services reviewed the guidance and assessed the potential impact for your financial statements?

# Emerging issues and developments

## Accounting and audit issues

### Code of Practice on Local Authority Accounting in the United Kingdom 2013/14

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2013/14. The main changes to the Code include:

- amendments for the requirements of the localisation of business rates in England
- amendments to how 'other comprehensive income' is presented in the Comprehensive Income and Expenditure Statement. These changes follow the June 2011 amendments to IAS 1 Presentation of Financial Statements.
- amendments to how authorities should account for the cost of employees. This is as a result of the June 2011 amendments to IAS 19 Employee Benefits and include amendments to the classification, recognition, measurement and disclosure of local authority pension costs. This is accounted for as a prior period adjustment which means that the figures for previous years will need to be restated.
- clarifications and improvements of the Code as a result of the CIPFA/LASAAC post-implementation review of IFRS on issues such as:
  - the recognition and measurement of property, plant and equipment – in particular, paragraph 4.1.2.35 of the Code now requires items within a class of property, plant and equipment to be revalued simultaneously. The Code does permit a class of assets to be revalued on a rolling basis provided the revaluation is completed within a short period and provided the revaluations are kept up to date.
  - leases and lease-type arrangements (for example where lease rentals are charged at peppercorn rents)
  - service concession (PFI/PPP) arrangements in relation to assets under construction and intangible assets
  - the recognition of non-current assets held for sale
- amendments relating to deferred tax which may be applicable to authorities with group accounts. These follow amendments to IAS 12 Income Taxes issued in December 2010.

The Code also notes that guidance on the adoption of IFRS 13 Fair Value accounting and on accounting for schools has been deferred to the 2014/15 Code.

Challenge questions:

- Is your Head of Financial Services aware of the changes to the 2013/14 Code and has she assessed the potential impact? In particular, has she consulted:
  - your actuary to ensure you will have the information you need to restate amounts relating to pensions from previous years
  - your valuer to ensure that your revaluation programme complies with the new requirements for property, plant and equipment?



# Emerging issues and developments

## Accounting and audit issues

### Internal audit – practice case studies

The NAO and the Institute of Internal Auditors have released a set of case studies, available on the NAO website, illustrating some of the key principles of effective internal auditing, taken from a range of public and private sector organisations (including British Telecom, Department for Work and Pensions, EDF). These cover the following areas:

- applying internal audit resources
- scope of internal audit
- auditing projects
- the relationship with the audit committee
- risk-based internal audit
- evaluating internal audit

Examples of the practical advice these case studies provide are:

- 'ensure that the internal audit function has the right development practices and the right mix of people'
- 'internal audit must check its own performance'
- 'look at the range and depth of assurance that is being provided to management from other assurance providers within the organisation: this will reduce the duplication and free up resources to provide deeper assurance in other areas'
- 'make sure that internal audit's work is aligned to management's view of risk: the function may be focussing on the wrong issues if it does not understand management's risk priorities'
- 'review whether senior management and the business share the same view of risk – highlight where differences occur to ensure that the right risks and controls are targeted in the audit plan'
- 'consider carrying out a benchmarking review with a similar sized organisation in the same industry sector to compare and contrast approaches to internal audit and resourcing'

Challenge question:

- Has your Head of Internal Audit considered these case studies and how the internal audit service could be further enhanced?

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# Emerging issues and developments

## Local government guidance

### 2010/11 Whole of Government Accounts

The following reports have been published on the audited 2010/11 Whole of Government Accounts (WGA):

- Public Accounts Committee (PAC) issued its 2010/11 WGA report - PAC has recommended that HM Treasury should do more to use WGA accounts to inform decision making and also drew attention to the need for the preparation and audit of WGA to be timelier.
- DCLG published an unaudited consolidated account for English Local Government 2010/11 - the information is high-level, focussing on the consolidated statement of revenue and expenditure, the consolidated statement of financial position and the consolidated statement of changes in taxpayers' equity. There is no breakdown of line items and no comment on cash flows, commitments and off balance sheet liabilities. However, the document does provide links to more detailed local government finance statistics.

Challenge question:

- Has your Head of Finance considered these reports and any lessons for the authority?
- Has your Head of Finance produced a robust and adequately resourced timetable for the production and submission of 2012/13 WGA returns?

### Governance statements

The National Audit Office has published "Fact Sheet:Governance Statements: good practice observations from our audits" providing insight and commentary on the first year of Governance Statement reporting observations on good practice "challenge questions" for those whose role it is to oversee and scrutinise an organisation's Governance Statement.

Challenge questions:

- How do you plan to make your Annual Governance Statement be more transparent and relevant to your authority?
- Have you used the challenge questions in the fact sheet to help inform your review of the Annual Governance Statement?

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# Emerging issues and developments

## Local government guidance

### Openness and transparency on personal interests - A guide for councillors

In March, DCLG published "Openness and transparency on personal interests – A guide for councillors".

This guide provides guidance to councillors about how to be open and transparent about their personal interests now that new standards arrangements have been introduced by the Localism Act 2011.

Challenge question:

- What has your authority done to improve awareness of openness and transparency requirements for councillors?



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