



Audit Committee Update for Mid Devon District Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

2012/13 year ended 31 March 2013

14th May 2013

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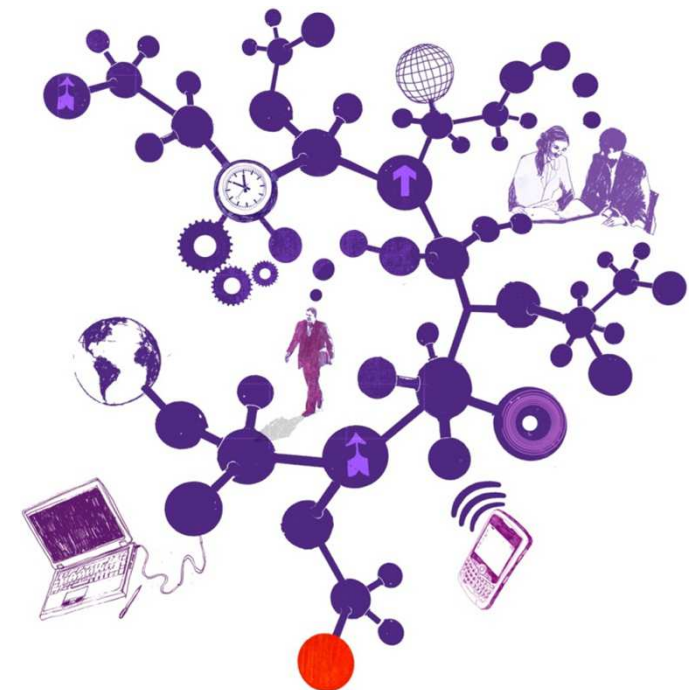
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Introduction

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 District Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit 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. Here you can download copies of our publications – 'Towards a tipping point?', 'The migration of public services', 'Local Government Governance Review 2012', '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 30 April 2013

Work	Planned date	Complete?	Comments
<p>2012-13 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 2012-13 financial statements.</p>	14 May 2013	Yes	<ul style="list-style-type: none"> The Accounts Audit Plan is on the agenda for this meeting.
<p>Interim accounts audit Our interim fieldwork visit will include the following:</p> <ul style="list-style-type: none"> updated review of the Council's control environment update understanding of financial systems review of Internal Audit reports on core financial systems early work on emerging accounting issues early substantive testing proposed Value for Money conclusion. 	March/April	No	<ul style="list-style-type: none"> Interim accounts work is now mostly complete. IT controls assessment is underway This work underpins the audit plan presented at this meeting.
<p>2012-13 final accounts audit Including:</p> <ul style="list-style-type: none"> audit of the 2012-13 financial statements proposed opinion on the Council's accounts 	15 July 2013 to 9 August 2013	No	<ul style="list-style-type: none"> Our Annual Governance Report and our audit opinion will be given at the 24 September Audit Committee meeting.

Progress at 23 April 2013

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2012/13 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • Final work proposed Value for Money conclusion; and • Financial resilience report. 	<p>January 2013 to 24 September 2013</p>	No	<ul style="list-style-type: none"> • We have undertaken our initial risk assessment and have started work on a preliminary review of the Council's arrangements. • We identified Financial Resilience as a risk for the Council.
<p>Other areas of work</p> <p>Grant claims and certification.</p> <p>We anticipate that the only claims that will require certification will be:</p> <ul style="list-style-type: none"> • Housing benefit and council tax subsidy for 2012/13 • National non-domestic rates return 	<p>June 2013 to 30 November 2013</p>	No	<p>We will commence our certification work alongside the work on the Council's financial statements.</p>

Emerging issues and developments

Accounting and audit issues

UK Public Sector Internal Audit Standards

From 1 April 2013, the UK Public Sector Internal Audit Standards (PSIAS) are to be used throughout the public sector. The PSIAS are based on existing International Standards for Internal Audit, but have been adapted for use in the public sector.

The objectives of the PSIAS are to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

The key changes are:

- the term 'chief audit executive' is used rather than 'head of internal audit' or 'chief internal auditor'.
- the requirement for an internal audit charter. This must formally define the purpose, authority and responsibility of the internal audit activity, as well as the nature of consulting services and the terms 'board' and 'senior management'. It will also cover arrangements for avoiding conflicts of interest if internal audit carries out any non-audit activities.
- there is no longer a requirement to produce an audit strategy. Instead, a risk-based plan must incorporate or be linked to a strategic or high-level statement which sets out how the internal audit service will be provided and developed in accordance with the charter and how it will link to the organisation's objectives and priorities.
- the chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. This includes internal and external assessments. The QA&IP is designed to assess the efficiency and effectiveness of internal audit as well as identify opportunities for improvement. The chief audit executive will have to include a statement on the results of the QA&IP in an annual report.

Challenge questions:

- Are plans in place to assess your internal audit function against the requirements of the PSIAS?
- How can you drive more organisational value from internal audit?
- Do you have an action plan in place to deal with any issues arising?

Grant Thornton can provide a review of internal audit effectiveness. If you have any queries, talk to your engagement manager to see how Grant Thornton could help.

Emerging issues and developments

Grant Thornton

Local Government Governance report

In February, we published '[Local Government Governance Review 2013](#)', our second annual review into local government governance. The report is based on:

- survey responses from over 60 council senior officers and members on governance reporting and the supporting processes
- a desk top review of 2011/12 Annual Governance Statements and explanatory forewords for 153 councils, against our best practice checklists based on the CIPFA/SOLACE framework and guidance notes.

Good governance is essential to both council leaders and the public. It supports leaders in making the best decisions, reduces the likelihood of things going wrong and protects them when problems do occur. It inspires confidence in the public that the best decisions are being taken for the right reasons, that the quality of service is protected and that public money is being wisely spent.

The key findings included:

- one third of survey respondents do not consider that council accounts are aimed at the public and the length and technical complexity makes them difficult to understand
- many council Annual Governance Statements follow too rigidly the example text in the CIPFA/SOLACE guidance, rather than reflecting the unique features and challenges of their own organisation
- explanatory forewords are often far from 'explanatory', being hard to read and not aligned to councils' strategic goals
- on-going governance processes and year-end statements are commonly two distinct exercises.
- there is often a lack of understanding within local authorities about what the governance framework is for and how it fits together
- although external alliances are becoming increasingly important in service delivery, 21% of survey respondents are not clear about council roles and responsibilities when working in partnerships.

Challenge questions:

- Have you considered the findings of the report?
- What action do you plan to take to improve governance arrangements?

Grant Thornton can provide you with a bespoke, bench-marked governance review. If you have any queries on governance, talk to your engagement manager to see how Grant Thornton could help.

Emerging issues and developments

Local government guidance

Financial sustainability of local authorities

In January, the National Audit Office published '[Financial sustainability of local authorities](#)'. The report examined central government's approach to local authority funding, and reviewed local authorities' financial sustainability against a background of changes to their funding. It has three parts:

- Funding local authority services - setting out the background to the current funding arrangements and the reduction in local authority funding from the government's 2010 spending review
- Local authority budget management - setting out how local authorities have responded to their reduced income
- Maintaining financial sustainability - covering the growing challenges to local authorities' financial sustainability, managing financial risks and opportunities, and the increasing need for central government to make informed decisions as financial and service pressures increase.

Some of the key findings were:

- so far, local authorities have absorbed reductions in central government funding but there is some evidence that services have been reduced
- local authorities may find it harder over the rest of the spending review period to absorb funding reductions and maintain services
- local authorities' ability to make savings while maintaining service levels depends on local circumstances
- by reducing ring-fencing of its grants, central government aims to give local authorities greater spending flexibility
- the government is making changes that create financial opportunities for local authorities but also increase their financial risks and uncertainty, for example, the partial localisation of business rates and the arrangements for council tax benefit
- the accountability framework for local government to address widespread financial failure is untested.

Challenge questions:

- Can your authority learn from how other local authorities have responded to their reduced income?

Emerging issues and developments

Local government guidance

Pay policy statements

The Secretary of State for Communities and Local Government has issued [supplementary guidance on pay policy statements](#) for 2012/13 which highlights:

- members should ensure that pay policy statements are set out clearly, that they fully address all of the requirements of the Localism Act 2011 and accompanying guidance, and are accessible.
- full Council should be given the opportunity to vote on salary packages of £100,000 or more. Those authorities who may not have senior posts over £100,000 should seek to achieve the same degree of openness and accountability by adopting a lower threshold for votes, appropriate to their local circumstances.
- full Council should also be given the opportunity to vote on severance payments over £100,000.

Challenge questions:

- Have you considered how to improve the clarity and value of the information your authority is publishing?

Emerging issues and developments

Local government guidance

Councillors on the frontline

The government has responded to the [Select Committee report](#) on the role councillors play in the community.

Some of the matters raised by the Select Committee were as follows:

- In supporting their communities, councillors should be working closely with external organisations and providers of public services.
- It urges all councils to consider how best to provide support to their councillors and assist them to ensure they have an active role in their communities.
- It is a matter of concern that the composition of many councils does not reflect that of the communities they serve.
- Local authorities should be actively promoting democratic engagement and explaining to the public what the role of a councillor entails.
- encourage local authorities to put in place light touch arrangements for reporting councillor performance. As part of this, councillors could be asked to complete a brief annual self-assessment to be made public in an accessible format. This should cover not only attendance at formal meetings, but also details of the work councillors have carried out within their communities.
- Encourage political parties, local authorities and other bodies to review the training they offer to ensure it meets the needs of councillors. In particular, training should reflect the changing roles of councillors, and ensure that councillors understand the implications of the Localism Act 2011 and other new legislation. Also suggest that councillors make public details of any training they have completed in the course of the preceding year. Training should be seen as a benefit, not a cost, to local taxpayers.
- Training should be provided to potential candidates before they stand for election, to give them some knowledge of what they can expect
- Councillors should be at the centre of community life, well known and respected by those they represent, and empowered to effect change within their local areas.

Challenge questions:

- What can your authority do to improve the role played by councillors in the community?
- Has your authority developed an action plan?



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