Audit, Governance and Standards Committee Progress and Update Report for the Royal Borough of Kingston upon Thames

*Year ended 31 March 2016*

June 2016

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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 you with a report on progress in delivering our responsibilities as your external auditors.

You 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 including:

- Knowing the Ropes – Audit Committee; Effectiveness Review; www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/

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

<table>
<thead>
<tr>
<th>2015/16 work</th>
<th>Completed</th>
<th>Comments</th>
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<tbody>
<tr>
<td><strong>Accounts Audit Plan</strong></td>
<td>April 2016</td>
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<tr>
<td>We are required to issue a detailed accounts audit plan setting out our proposed approach in order to give an opinion on the your 2015-16 financial statements. We also inform you of any subsequent changes to our audit approach.</td>
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<td>This was presented to the Audit, Governance and Standards Committee in April.</td>
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**Early closedown and final accounts audit**
We have been working with your finance team to deliver early closedown of the accounts and earlier completion of the audit. This has involved a number of actions including bringing forward your closedown timetables and increasing the amount of early audit testing undertaken throughout the year. This reflects the changes in legislation that require councils to prepare a set of accounts by the end of May and the audit to be delivered by the end of July, starting from 2018.

A draft set of financial statements are expected to be provided on 17 June 2016. We have agreed with the finance team that we will commence the audit once statements are available. We plan to substantially complete our audit in August, earlier than in previous years.

Subject to meeting the above timetable, and providing no unexpected issues arise, we also intend to deliver our audit findings earlier than in previous years, reflecting our commitment to working with you to deliver earlier closedown and audit of the accounts.

The accounts will be signed off following the Audit, Governance and Standards Committee on 22 September 2016.

Field work – June – August 2016
Sign-off – September 2016

Your finance team are working towards delivering a set of financial statements around a week earlier than last year. This improvement demonstrates the progress made towards delivering early close.

In order to deliver an efficient audit and deliver to the July audit sign off deadline in 2018, it will be critical that a complete set of financial statements are presented for audit at the end of May, alongside requested working papers.

We will continue to work in partnership with the finance team in 2016/17 to improve the early closedown process ahead of the formal implementation of the legislation.
Better Together: Building a successful joint venture company

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.

Knowing the Ropes – Audit Committee Effectiveness Review

We have published our first cross-sector review of Audit Committee effectiveness encompassing the corporate, not for profit and public sectors.

It provides insight into the ways in which audit committees can create an effective role within an organisation’s governance structure and understand how they are perceived more widely. The report is structured into four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

Reforging local government: Summary findings of financial health checks and governance reviews

The recent autumn statement represents the biggest change in local government finance in 35 years. The Chancellor announced that in 2019/20 councils will spend the same in cash terms as they do today and that "better financial management and further efficiency" will be required to achieve the projected 29% savings. Based on our latest review of financial resilience at English local authorities, this presents a serious challenge to many councils that have already become lean.

Our research suggests that:

- the majority of councils will continue to weather the financial storm, but to do so will now require difficult decisions to be made about services
- most councils project significant funding gaps over the next three to five years, but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- local government needs a deeper understanding of their local partners to deliver the transformational changes that are needed and do more to break down silos
- elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations, but also about effective management of change and risk
- councils need to improve the level of consultation with the public when prioritising services and make sure that their views help shape council development plans.

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