

Audit Committee Update for Waverley Borough Council

Year ended 31 March 2015

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

- 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 Audit Manager.

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Progress at June 2015

Work	Planned date	Complete?	Comments
<p>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.</p>	March 2015	Complete	We presented our Audit Plan to you in March 2015.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <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 work on Journals 	January 2015	Complete	The detailed results of our interim accounts visit were included in the Audit Plan presented in March.
<p>Early substantive testing Planned testing of the following areas:</p> <ul style="list-style-type: none"> • expenditure incurred to date • employee remuneration transactions to date 	January 2015	Complete	The results from this early testing visit were again included in the Audit Plan presented in March.

Progress at June 2015

Work	Planned date	Complete?	Comments
<p>2014-15 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July 2015	Not yet due to start	We anticipate receiving your draft financial statements in late June. Our final accounts audit will commence in early July.
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2014/15 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • updating our understanding of the key risks facing the Council • identifying whether any new risks have arisen since we completed our work in the prior year • undertaking detailed work on those risks which impact 2014-15 	February and July 2015	In progress	We have now completed our initial risk assessment, and will be carrying out our detailed work alongside the main accounts audit in July.

Easing the burden – the impact of welfare reform on local government

Grant Thornton

Our second report into welfare reform looks at how local welfare reform has developed over the last two years from the local authority and social housing point of view. It includes a look at some of the innovative 'good practice' that local authorities are using to address it. The report is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Easing-the-Burden/>

Our report is concerned with:

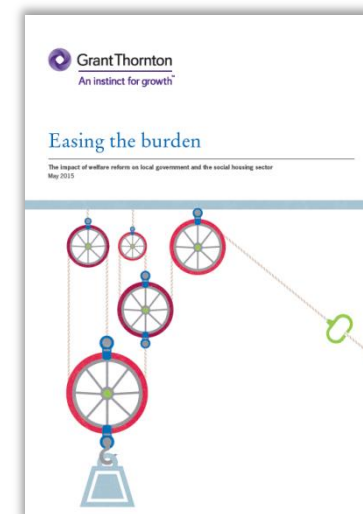
- the impact of reform on the strategy, finances and administration of local authorities and their partners, including housing associations
- the impact on welfare recipients to the extent that this has direct consequences for local authorities and housing associations
- what the future might hold.

Our findings are based on a survey of 75 local authorities, including the Royal Borough of Kingston, and housing organisations, as well as more detailed discussion with some of the key officers at these organisations.

Key findings include:

- reduction to discretionary housing payments would have significant financial implications for local authorities
- the proposed withdrawing of ring-fenced funding for local hardship schemes in 2016 will also contribute to the financial pressures on local authorities
- there is a danger that reduced funding for welfare will undermine the capacity of local authorities to pursue some of the more efficient methods of delivering welfare such as early intervention strategies
- however, in the face of reduced funding, welfare reform has been a key driver for innovation and improvement
- policies to reduce benefit dependency, coupled with a growing economy and better joint working between different agencies have already mitigated some of the impact. This could support the argument that a further devolution of powers to local government for welfare administration could be the key to a sustainable future.

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



Spreading their wings – building a successful local authority trading company

Grant Thornton

'Spreading their wings' is our second report looking at the increased use of alternative models to protect and develop services. This report focuses on local authority trading companies (LATCs) and is the first in a series that will look at alternative service delivery models in more detail. The report is available at <http://www.grant-thornton.co.uk/Publications/2015/Spreading-their-wings-Building-a-successful-local-authority-trading-company/>

Our report focuses on local authority trading companies, and looks at:

- the initial decision making process
- the key areas of consideration for councils when setting up a LATC
- how to make a LATC successful, along with examples of best practice.

The report is very much a practical guide on the steps that need to be followed. The report contains case studies of the journeys and practical solutions implemented by these and other local authority trading companies.

Key findings include:

- The level of innovation has been impressive as there has been a significant increase in the use of different service delivery models by local government.
- LATCs now cover an ever-widening volume of services, covering areas such as highways, housing and education, as well as moving into the delivery of social care services.
- We predict that the number of LATCs will grow in the next five years in order to generate income to protect other services.
- LATCs can be successful and there are a number of examples included within the report.
- Resistance can be expected from some stakeholders who see LATCs as privatisation, but these can be overcome with the right preparation and business processes.

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





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