



# Audit Committee Update for Cheltenham Borough Council

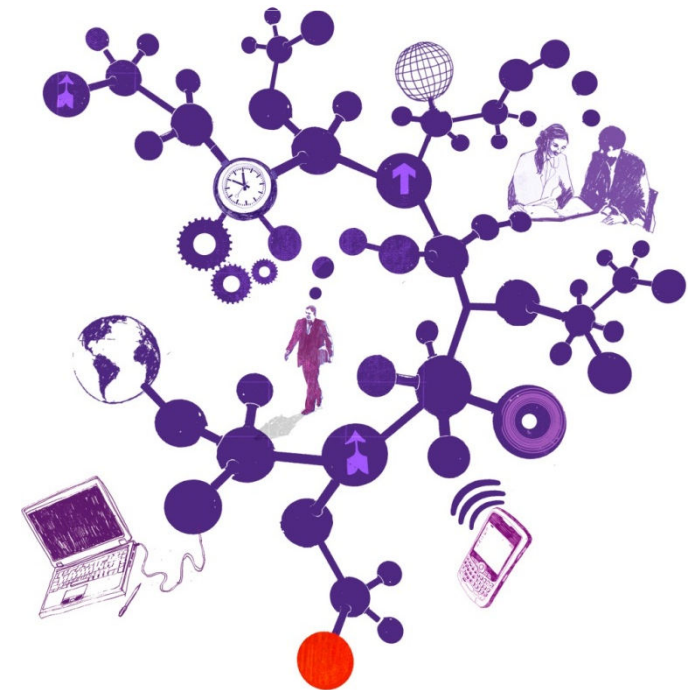
---

**Year ended 31 March 2014**

30 May 2014

**Peter Barber**  
Engagement Lead  
T 01173 057 897  
E [peter.a.barber@uk.gt.com](mailto:peter.a.barber@uk.gt.com)

**Peter Smith**  
Audit Manager  
T 01173 057 832  
E [peter.w.smith@uk.gt.com](mailto:peter.w.smith@uk.gt.com)



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.

---

# Contents

<b>Section</b>	<b>Page</b>
Introduction	4
Progress at 30 May 2014	5
Emerging issues and developments	
Accounting and audit issues	7
Local Government Guidance	8
Grant Thornton	10

---

# 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](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 – "Reaping the benefits: first impressions of the impact of welfare reform", "2016 Tipping Point – Challenging the current?", 2014 – "Responding to the Challenge – Alternative Delivery methods in Local Government", '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.

Peter Barber Engagement Lead T +44 (0)1173 057 897 M +44 (0) 7880 456122 [peter.a.barber@uk.gt.com](mailto:peter.a.barber@uk.gt.com)

Peter Smith Audit Manager T +44 (0)1173 057 832 M +44 (0) 7880 456140 [peter.w.smith@uk.gt.com](mailto:peter.w.smith@uk.gt.com)

## Progress at 30 May 2014

Work	Planned date	Complete?	Comments
<p><b>2013-14 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 2013-14 financial statements.</p>	March 2014	Yes	Our audit plan was agreed with officers at our liaison meeting on 10 March 2014 and was taken to the Audit Committee on 26 March.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	February – March 2014	Yes	Our interim visit is now complete and there are no issues arising to date which require reporting to the Audit Committee
<p><b>2013-14 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2013-14 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	July – August 2014	No	We have not yet started our detailed audit work for 2013-14.

## Progress at 30 May 2014

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 comprises:</p> <ul style="list-style-type: none"> <li>•a initial risk assessment;</li> <li>•a detailed review of arrangements against the criteria;</li> <li>•bringing forward knowledge from previous auditors;</li> <li>•reviewing key documents; and</li> <li>•discussion with officers.</li> </ul>	August 2014	No	<p>Our work will be focussed on the two criteria specified by the Audit Commission i.e.</p> <ul style="list-style-type: none"> <li>-The organisation has proper arrangements in place for securing financial resilience; and</li> <li>-The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</li> </ul> <p>We will provide a report setting out the findings from our work on the Financial Resilience criteria.</p>
<p><b>Other areas of work – Certification of claims and returns</b></p> <ul style="list-style-type: none"> <li>•Housing and Council Tax Benefits claim</li> </ul>	November 2013	No	<p>We have not yet started our detailed audit work for 2013-14. We do not expect an NNDR claim this year and our work on Council Tax benefit as part of the Housing and Council Tax Benefits claim will be reduced following changes in the Council tax system.</p>
<p><b>Other activity undertaken</b></p>			<p>The Grant Thornton review of the reasons for the overspend on the Museum and Art Gallery refurbishment project is underway and a report will be taken to a future Audit Committee.</p>

# Understanding your accounts – member guidance

## Accounting and audit issues

### Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures

Supporting this guide we have produced two further documents to support members in discharging their responsibilities

- helping local authorities prepare clear and concise financial statements
- approving the minimum revenue provision

Copies of these are available from your engagement lead and audit manager

### Challenge question

Have members referred to this guidance?

### Management response

Annually members receive a presentation on the format and content of the annual accounts which covers these points. However, officers will use the guide to review the approach to training and guidance in the audit committee review of the 2013/14 accounts in September 2014.

# Not to be rubbished, £464 million potential savings

## Local government guidance

### Audit Commission VFM Profiles

Using data from the VFM Profile, <http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/> the Audit Commission issued a briefing on 27 March 2014, concluding that up to £464 million could be saved overall, if councils spending the most brought down their spending to the average for their authority type and waste responsibilities.

The Audit Commission Chairman, Jeremy Newman said: "It's good news that local authorities have reduced their spending on household waste by £46 million over the past four years and have reduced levels of waste sent to landfill. Councils have achieved these important improvements by working with local people and exercising choice about what works best in their own circumstances."

In the context of considering the hierarchy of waste management options - preventing the creation of waste, preparing waste for re-use, recycling, recovery and disposal to landfill - the Audit Commission Chairman also said

"in 2012/13 local authorities spent a fifth of their total expenditure on the most desirable option for household waste management: minimisation and recycling. They spent the other four-fifths on the collection and disposal of waste – the least desirable options. Councils have the power to influence and encourage residents to do the right thing and they control the levels of spending on the range of waste management options available to them. Their choices ultimately affect how well the environment is protected and the quality of waste services residents receive"

### Challenge questions

Has the Council used the Audit Commission briefing paper to consider how their:

- overall spending on household waste management has changed over time?
- spending is divided between waste minimisation, recycling or disposal of waste, and how this has changed over time?;
- spending on different components of waste management compares with authorities that have similar or better performance?

### Management response

The council has taken considerable steps towards reducing waste and landfill by increasing the range of materials recycled at the kerbside, operates its own household recycling centre, provides a garden waste bin collection scheme and promotes the 're-use' agenda. It has taken steps to reduce costs by creating a company with Cotswolds District council which has delivered savings for both councils. The council and its overview & scrutiny committee monitor performance on a regular basis. The council has joined the county wide partnership (Joint Waste committee) which includes the county council and other districts councils which is working towards further reduction in landfill and costs.



# Consultation – Local Government Pension Scheme future structure

## Local government guidance

### Local Government Pension Scheme (LGPS) reform

The DCLG (1 May 2014) published a summary of its 2013 call for evidence on the future structure of the local government pension scheme, along with its own conclusions and has launched a formal consultation on these. Consultation responses are required by 11 July 2014. <https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies>

Having considered a cost/benefit analysis of mergers from actuarial firm Hymans Robertson, the DCLG said it would not force funds to merge, but is instead consulting on the following proposals:

- Establishing common investment vehicles to provide funds with a mechanism to access economies of scale, helping them to invest more efficiently in listed and alternative assets and to reduce investment costs.
- Significantly reducing investment fees and other costs of investment by using passive management for listed assets, since the aggregate fund performance has been shown to replicate the market.
- Keeping asset allocation with the local fund authorities, and making available more transparent and comparable data to help identify the true cost of investment and drive further efficiencies in the Scheme.
- A proposal not to pursue fund mergers at this time.

The potential proposed changes, whilst not as radical as the previously considered merger proposals, remain nonetheless significant for the management of pension funds. DCLG believe the implementation of the proposed changes would significantly reduce investment costs across the LGPS nationally.

### Challenge question

Has your officers briefed members on the potential implications of the government's proposed LGPS reform for the future management of the locally administered LGPS and is the fund preparing a consultation response?

### Management Response

The cabinet member for Finance and the Leader of the council have been briefed on the reforms. The section 151 Officer is planning to submit a response supporting the proposals.

---

# Events

## Grant Thornton

### Events

We are involved in organising and supporting various events for our local government clients including the following.

- Following on from our recent national report on welfare reform Reaping the Benefits we are continuing to gather information and examples of good practice from local government and housing around the country. We are presenting our key findings updated information on good practice to CIPFA Benefits and Revenues Network and regional CIPFA events
- We are sponsoring the Centre for Public Scrutiny (CFPS) annual Scrutiny Camp Unconference in London on 11 June
- We are also sponsoring The Municipal Journal's annual Growth Agenda conference on 4 June where we will be launching our Where Growth Happens report
- For the third year running we are sponsoring the conference drinks reception at CIPFA's Annual Conference, taking place in London on 2 July
- Paul Grady, Grant Thornton's Head of Police, will be speaking at the third Annual National Conference on Police and Crime Commissioners on 10 July, in Nottingham
- We are hosting an Alternative Delivery Models seminar at our Birmingham office in 16 July where practitioners will share experiences of setting up and operating various alternative delivery models.
- Locally we are planning workshops for LG Chairs of Audit



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

**[grant.thornton.co.uk](http://grant.thornton.co.uk)**