

# Audit Committee Progress and Update Report for Swindon Borough Council *Year ended 31 March 2016*

4 April 2017

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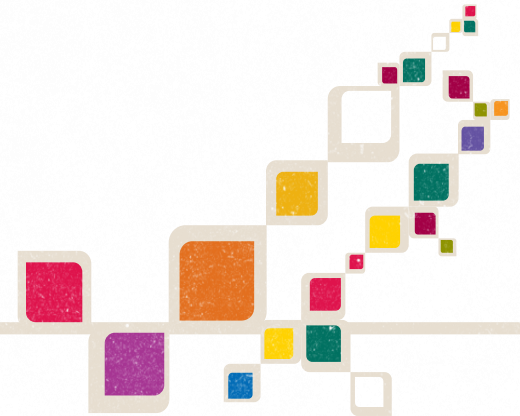
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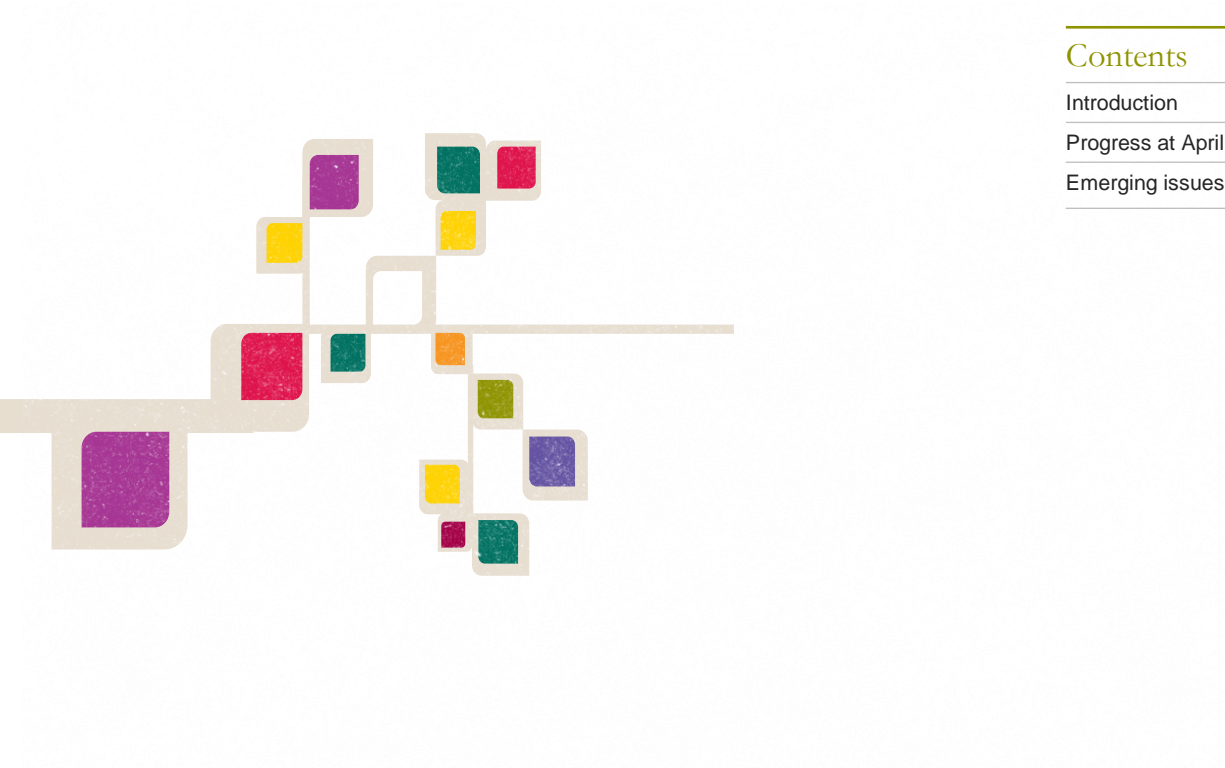
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# Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

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 including:

- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

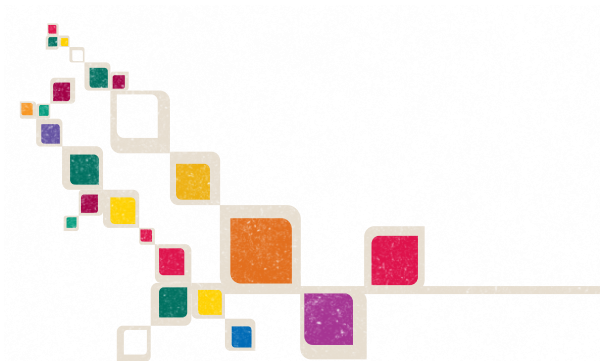
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



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# Progress at 4 April 2017

## 2016/17 audit



**Progress against plan**  
On track



**Opinion and VfM conclusion**  
On Track



**Outputs delivered** Fee letter

### 2016/17 work

### Completed Comments

#### Fee Letter

We issued the 'Planned' fee letter for 2016/17 in April 2016.

April 2016

#### 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 2016-17 financial statements.

April 2017

Reported to the April Audit Committee meeting

We also inform you of any subsequent changes to our audit approach.

#### Interim accounts audit

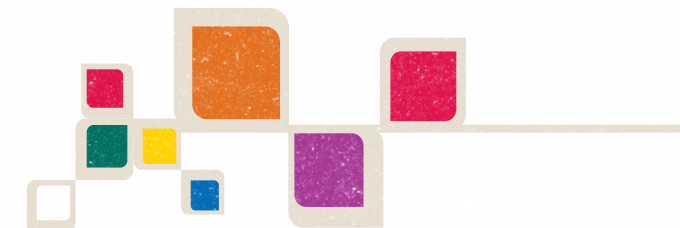
Our interim fieldwork visit includes:

- 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 substantive testing

Yes

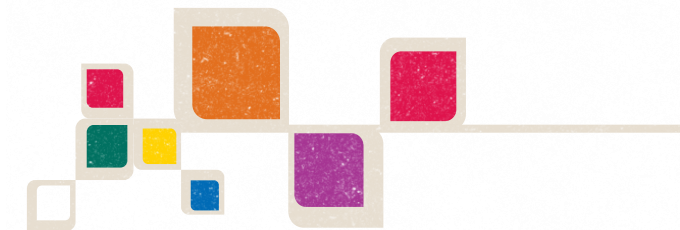
Reported in Accounts Audit Plan.

# Progress at 4 April 2017



2016/17 work	Completed	Comments
<b>Final accounts audit</b> Including: <ul style="list-style-type: none"> <li>Audit of the 2016-17 financial statements</li> <li>proposed opinion on the Council's accounts</li> </ul>	No	The matters arising from our work will be reported to the September Audit Committee.
<b>Value for money</b> Including review of arrangements and risks identified in the Accounts Audit Plan.	No	The matters arising from our work will be reported to the September Audit Committee.
<b>Grant Certification</b> We are required to complete work on the following returns: <ul style="list-style-type: none"> <li>Housing Benefit</li> <li>Homes and Communities Agency return</li> <li>Teachers Pension Return</li> <li>Pooled capital receipts return</li> </ul>	N/A	Our work will be completed by the deadline of 30 November 2017.
<b>Other activities</b> We provide a range of workshops, along with network events for members and publications to support the Council.	On-going	Our accounts workshop took place on 1 <sup>st</sup> March 2017.
Annual Audit Letter	No	The Annual Audit Letter will be completed by October 2017.

# Progress at 4 April 2017



## 2015/16 work

### Fee Up-date

Following completion of our work to meet the September 2016 accounts deadline and the October 2016 Whole of Government accounts deadline we have agreed a small fee variation with the Council's Director of Resources and Transformation. This reflects the complexity of auditing the Council's Group Accounts.

Due to the delay around agreeing the fee variation, reflecting the changes in staffing at the Council, the following is reported to the April Audit Committee.

The fees are analysed in the table below. The proposed fee variation is subject to authorisation by Public Sector Audit Appointments and is therefore not final.

#### Fees

	2015/16 fees £	2014/15 fees £
Statutory audit of Council	128,378	171,170
Proposed Variation	5,169	-
<b>Total fees (excluding VAT)</b>	<b>133,547</b>	<b>171,170</b>

The 2016/17 fee is set at the same level as 2015/16, £128,378.



# Technical Matters





# Highways network asset accounting update

At its meeting on March 8th, CIPFA decided not to proceed with the introduction of the Highways Network Asset into the financial reporting requirements for local authorities. Previously the intention was to provide central cost data for aspects of the highways network. CIPFA decided that in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities.

# Public finances in practice

## ICAEW publications

Public finances are under strain in many European countries and this has an impact on the ability of Governments to deliver shared goals of stable and sustainable growth.

The Institute Of Chartered Accountants In England and Wales (ICAEW) has recently published a report '*public finances in practice*' which captures the insights of senior finance professionals in ten different EU states.

Although the report is focussed on national governments, the findings are relevant for any public sector organisation.

The report recognises that better public financial management is a key enabler of a sustainable economic future. It notes that the improvement of public financial management cannot be achieved through improved standards alone and that organisations need to take some action themselves across three broad themes:

### Structure

- There is a need to clearly define roles and responsibilities within finance teams. This enables the setting and review of objectives, reduces inefficiencies and improves accountability.
- Clarity of roles also helps to create a strong culture of responsibility and ownership, which helps to foster a wider organisational culture of good financial management.
- Effective financial management requires effective scrutiny, via robust internal control systems and independent external audit.
- To maintain effective scrutiny, proper questioning of the annual budget and review of performance against budget should occur.

- Transparency can be improved by providing the right sort of data in an understandable way, organisations should explore innovative ways to present information in a more intelligible way to improve transparency.

### Processes and Systems

- Access to high quality financial information is key. Data should be timely, well controlled and IT systems should be utilised to gather it effectively.
- Data should be used in a way that it can show the real-time financial position of the organisation.
- Such information should be used to its full potential, and gathered so it can be presented in a user-friendly way. The way information is presented is more important than the quantity of data.

### People

- Recruitment and retention of high quality finance professionals is a key challenge. Organisations should consider altering recruitment processes, offering flexible working arrangements and providing clear direction on career progression to assist with this challenge.
- Whilst senior individuals often have the necessary skills, below this level skills and qualifications can vary quite considerably.
- There is also a need to encourage finance professionals to think more broadly, to enable them to consider the bigger picture of how finance fits within service delivery and safeguarding of the financial position.

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# Off-payroll working in the public sector

The Chancellor's Autumn Statement 2016 speech delivered a number of changes that will impact the UK business environment and raise considerations for you as an employer.

In particular, the Chancellor announced that the measures that were proposed in Budget 2016 that could affect services supplied through personal service companies (PSCs) to the public sector will be implemented.

At present, the so-called IR35 rules require the worker to decide whether PAYE and NIC are due on the payments made by a PSC following an engagement with a public sector body. The onus will be moved to the payer from April 2017. This might be the public sector body itself, but is more likely to be an intermediary, or, if there is a supply chain, to the party closest to the PSC.

The public sector body (or the party closest to the PSC) will need to account for the tax and NIC and include details in their RTI submission.

The existing IR35 rules will continue outside of public sector engagements.

**HMRC Digital Tool** – will aid with determining whether or not the intermediary rules apply to ensure of “consistency, certainty and simplicity”

When the proposals were originally made, the public sector was defined as those bodies that are subject to the Freedom of Information rules. It is not known at present whether this will be the final definition. Establishing what bodies are caught is likely to be difficult however the public sector is defined.

A further change will be that the 5% tax free allowance that is given to PSCs will be removed for those providing services to the public sector.

## Impact

- Increased costs
- Responsibility moved to the engager
- Increased risks for the engager
- Consider current arrangements in place

## Areas / risks to consider

- Interim and / or temporary staff engaged through an intermediary or PSC
- Where using agencies ensure they're UK based and operating PAYE
- Update on-boarding / procurement systems, processes and controls
- Additional take on checks and staff training / communications
- Review of existing PSC contractor population before April 2017
- Consider moving long term engagements onto payroll





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