

Report of the: Director of Policy and  
Resources

Agenda  
Item No: 5  
Meeting: 22 January 2015

## **NORTH LINCOLNSHIRE COUNCIL**

### **AUDIT COMMITTEE**

## **EXTERNAL AUDIT REPORTS**

### **1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To consider external audit's reports:
- Annual Audit Letter 2013/14;and
  - External Audit Progress Report and Technical Update.

### **2. BACKGROUND INFORMATION**

2.1 Each year the council's auditors provide the council with an annual audit letter. This gives an overall summary of external audit's assessment of the council, drawing on final accounts and value for money work. The annual audit letter for 2013/14 is attached as appendix A.

Key messages are:

- An unqualified audit opinion was issued on the 2013/14 accounting statements on 29 September 2014. This means that the financial statements give a true and fair view of the financial position of the Council and of its expenditure and income for the year.
- An unqualified value for money conclusion was issued on 29 September 2014. This means external audit is satisfied that the council made proper arrangements for securing financial resilience and challenge how to secure economy, efficiency and effectiveness of its use of resources.
- The audit of the Council's financial statements included one recommendation regarding the need for a full evidenced assessment of the probable timing of provisions falling due between less than 12months and more than 12 months from the Balance Sheet date. This will be incorporated in 2014/15 accounts closedown work.

2.2 The Progress Report and Technical Update provides the Audit Committee with a summary on progress in delivering external audit's statutory responsibilities. It also highlights key emerging national issues

and developments which may be of interest to Members. A copy of the report is attached in appendix B.

### **3. OPTIONS FOR CONSIDERATION**

3.1 The Audit Committee should consider the external auditor's reports and the assurance that has been given or can be implied from their conclusions. The Committee should seek clarification from the external auditors or council officers as necessary.

### **4. ANALYSIS OF OPTIONS**

4.1 The Annual Audit Letter complies with statutory requirements governing external audit and inspection work.

### **5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

5.1 None.

### **6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

6.1 An Integrated Impact Assessment is not required.

### **7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

7.1 The Annual Audit Letter and Progress Report and Technical Update are discussed and agreed with the Director of Policy and Resources.

7.2 There are no conflicts of interests to declare.

### **8. RECOMMENDATIONS**

8.1 That the Audit Committee notes the Annual Audit Letter and Progress Report and Technical Update.

**DIRECTOR OF POLICY AND RESOURCES**

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DN16 1AB

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Date: 13 January 2015

**Background Papers used in the preparation of this report:**

KPMG reports:

Annual Audit Letter 2013/14

Progress Report and Technical Update



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# Annual Audit Letter 2013/14

North Lincolnshire Council

14 October 2014

APPENDIX A



## The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.auditcommission.gov.uk](http://www.auditcommission.gov.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Prentice, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 0303 4448 330.

**This report summarises the key findings from our 2013/14 audit of North Lincolnshire Council (the Authority).**

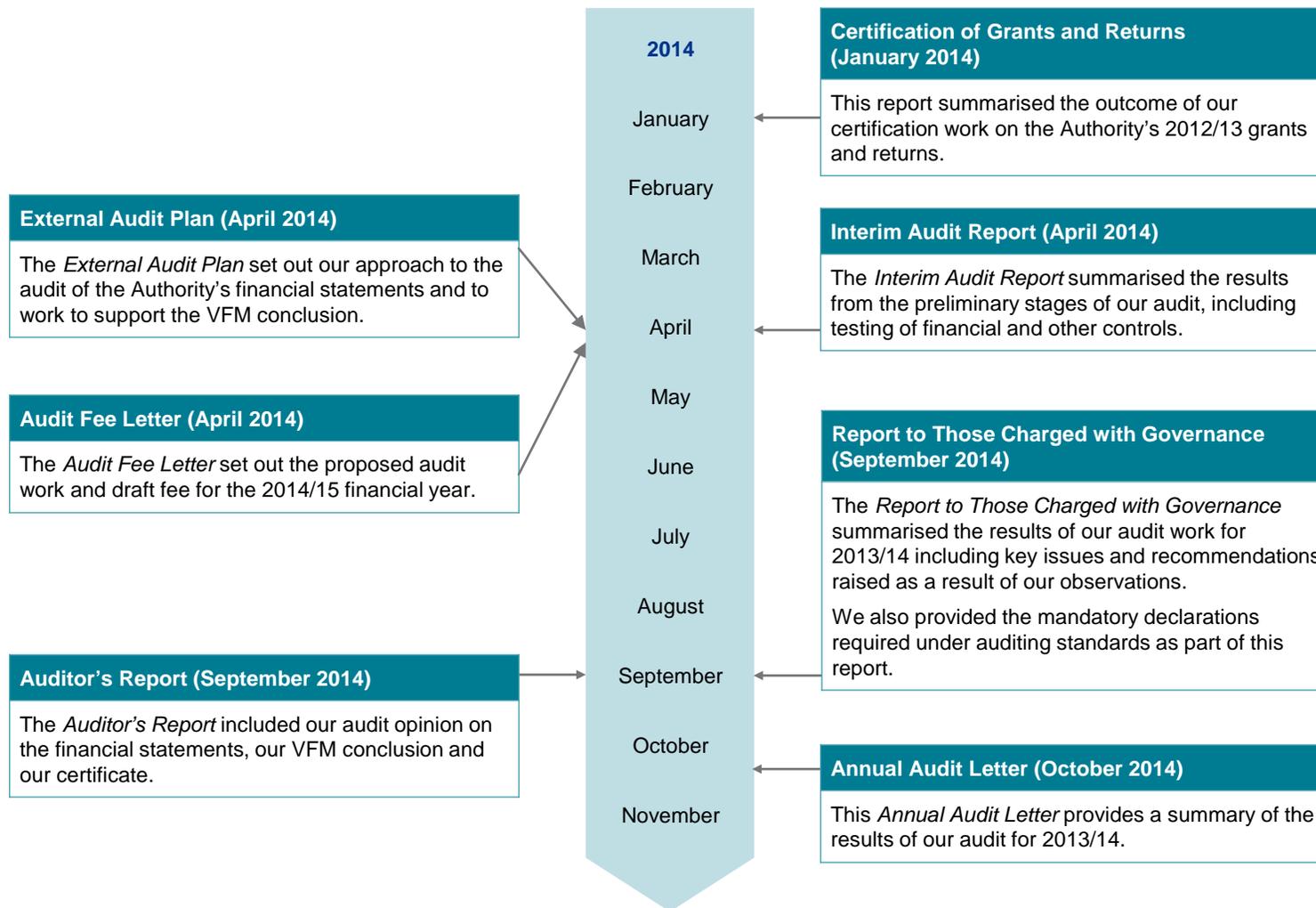
**Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.**

**Our audit covers the audit of the Authority's 2013/14 financial statements and the 2013/14 VFM conclusion.**

<b>VFM conclusion</b>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 29 September 2014. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
<b>VFM risk areas</b>	<p>We did not identify any significant risks to our VFM conclusion so we did not carry out any risk based reviews in this respect.</p>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on your financial statements on 29 September 2014. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
<b>Financial statements audit</b>	<p>Our audit of the Authority's financial statements identified no audit adjustments which impacted on the Council's overall financial position. A small number of minor presentational adjustments were made to the financial statements.</p>
<b>Annual Governance Statement</b>	<p>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</p>
<b>Whole of Government Accounts</b>	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.</p>
<b>Recommendations</b>	<p>We raised one recommendation as a result of our audit work in 2013/14. This related to the statement of accounts and the need for a full evidenced assessment of the probable timing of provisions falling due between less than 12 months and more than 12 months from the Balance Sheet date.</p>
<b>Certificate</b>	<p>We issued our certificate on 29 September 2014.</p> <p>The certificate confirms that we have concluded the audit for 2013/14 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
<b>Audit fee</b>	<p>Our audit fee for 2013/14 was £138,850 excluding VAT. This is £1,070 (0.8 per cent) more than the planned scale fee of £137,780 and is due to the need to carry out additional work relevant to our audit. It is £3,910 less than our fee for 2012/13; we charged an additional £4,980 in 2012/13 for providing early assurance on the accounting treatment of Property, Plant and Equipment.</p> <p>Further detail is contained in Appendix 2.</p>

## Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.



This appendix provides information on our final fees for 2013/14.

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2013/14 planned audit fee.

### External audit

Our final fee for the 2013/14 audit was £138,850. This compares to a planned fee of £137,780. The reason for the variance is that in 2013/14, as a result of there being no certification of the National Non-Domestic Rates (NNDR) return, we have been required to carry out additional procedures on our audit of the statement of accounts (previously we would have relied on the work we did on the NNDR return). The fee for this additional work, which has still to be formally confirmed by the Audit Commission, amounts to £1,070 (excluding VAT).

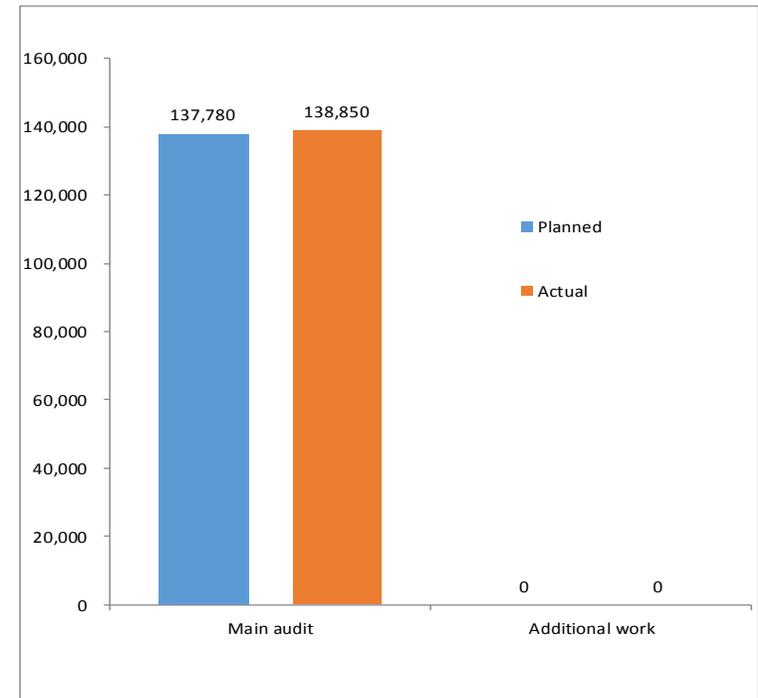
### Certification of grants and returns

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2013/14* which we are due to issue by January 2015.

### Other services

We have not carried out any other work for the Authority during 2013/14 which was not related to our responsibilities under the Audit Commission's *Code of Audit Practice*.

### External audit fees 2013/14 (£138,850)





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APPENDIX B

# External audit progress report and technical update

**North Lincolnshire Council**

January 2015

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

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TECHNICAL UPDATE					
CIPFA and HFMA guidance on the Better Care Fund and S.75 budgets	●	5	Tool launched to help councils compare care performance on social care	●	10
National Audit Office consultation: Draft Code of Audit Practice for the audit of local public bodies	●	5	Funding healthcare: Making allocations to local areas (NAO report)	●	10
Invitation to Comment and Simplification and Streamlining the Presentation of Local Authority Financial Statements	●	6	Distribution of National Fraud Initiative (NFI) information packs to elected members at councils in England	●	11
Transfer of Audit Commission responsibilities from 1 April 2015	●	6	The Audit Commission publish the Protecting the Public Purse 2014 (PPP 2014) report.	●	11
Audit commission consultation for the 2015/16 proposed work programme and scale fees	●	7	NAO published a report examining the progress to date on the implementation of the Better Care Fund (BCF)	●	12
Audit commission consultation on supplementary fee for the 2014/15 accounts – work on business rates	●	8	Audit Commission publish: an update on Council tax and business rates collection.	●	12
Government plans to regulate public sector exit payments	●	9	The Audit Commission has updated the guidance for auditors on the conclusion on arrangements to secure value for money (VFM) for 2014/15 local VFM work.	●	13
Consultation on Local Government Pension Scheme	●	9	VFM profiles updated for 2014/15 data sourced from DCLG	●	14
VFM data briefing on expenditure on looked after children	●	9	NAO have published two complimentary reports examining local authority finances: - The financial Sustainability of local authorities 2014 and; - The impact of funding reductions in local authorities	●	15
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# Progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

Area of responsibility	Commentary
Financial statements	<i>We will update this section as we progress the 2014/15 Interim Audit, planned for Feb/March 2015.</i>
Value for Money	<i>We will update this section as we progress the 2014/15 Interim Audit, planned for Feb/March 2015.</i>
Certification of claims and returns	<p><i>Our Annual Report on claims and returns for 2013/14 is being presented to the Audit Committee on 22 January 2015.</i></p> <p><i>Our work on the Council's 2014/15 Housing Benefit and Subsidy Claim will commence in June 2015 and will be completed before the deadline of 30<sup>th</sup> November 2015.</i></p>
Other work	<p><i>In Nov/Dec 2014, the Council engaged us to certify two grant claims relating to 2013/14 (that fall outside of the Audit Commission's regime). These were:</i></p> <ul style="list-style-type: none"> <li><i>Teacher's Pensions Return (audit fee £4,000 excluding VAT); and</i></li> <li><i>Initial Teacher Training Grant (audit fee £3,500 excluding VAT).</i></li> </ul>



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# Technical update

Area	Level of Impact	Comments	KPMG perspective
<p><b>CIPFA and HFMA guidance on the Better Care Fund and S.75 budgets</b></p>	<p>● High</p>	<p>The Healthcare Financial Management Association (HFMA), in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA), has released guidance for finance professionals as part of plans to implement the Better Care Fund.</p> <p>The guidance looks at:</p> <ul style="list-style-type: none"> <li>■ the legislation and regulations that underpin the operation of a pooled budget;</li> <li>■ the finance, governance and operational arrangements that clinical CCGs and local authorities need to be discussing and putting in place now in order to be ready for 'go live' on 1 April 2015; and</li> <li>■ the accounting standards that will apply and need to be considered in advance of preparing the signed agreement that will underpin the pooled budget.</li> </ul> <p>Whilst the guidance has been prepared by the HFMA and is primarily targeted at NHS bodies, it also covers local authorities and so may be of interest of local government bodies.</p> <p>For further information see the HFMA guidance at <a href="http://www.hfma.org.uk/NR/rdonlyres/7BF426D9-4CDE-4D4A-B6F9-16CDD17E5F9D/0/BCFguidance.pdf">http://www.hfma.org.uk/NR/rdonlyres/7BF426D9-4CDE-4D4A-B6F9-16CDD17E5F9D/0/BCFguidance.pdf</a></p>	<p><i>The committee may wish to seek assurances these costs are being accounted for appropriately and that where errors have been made, there are plans to address them.</i></p>
<p><b>National Audit Office consultation: Draft Code of Audit Practice for the audit of local public bodies</b></p>	<p>● Medium</p>	<p>On Friday 19 September 2014 the National Audit Office (NAO) launched its consultation on the draft Code of Audit Practice for the audit of local public bodies. Subject to Parliamentary approval, the Code will take effect from 1 April 2015 for audit work relating to the 2015/16 financial year onwards.</p> <p>The NAO is seeking views and comments on the draft Code. In particular, the views of audited bodies are being sought on how valuable the work carried out each year on value-for-money arrangements is. The closing date for consultation responses was Friday 31 October 2014.</p> <p>For more information visit <a href="http://www.nao.org.uk/keep-in-touch/our-surveys/consultation-code-audit-practice/">http://www.nao.org.uk/keep-in-touch/our-surveys/consultation-code-audit-practice/</a></p>	<p><i>The committee may wish to enquire of officers whether they responded to the consultation and the details of any response.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<b>Invitation to Comment and Simplification and Streamlining the Presentation of Local Authority Financial Statements</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>Medium</b></p>	<p>CIPFA and CIPFA/LASAAC have recently consulted on the Simplification and streamlining of the presentation of local authority financial statements.</p> <p>The consultation focused on the reporting of local authority performance and therefore on the comprehensive income and expenditure statement, the movement in reserves statement and the segmental reporting requirements specified in the Code of practice on local authority accounting in the United Kingdom. As an important part of reporting performance, it also considered the narrative reporting requirements which would accompany the financial statements.</p> <p>The consultation closed on 19 September 2014.</p>	<p><i>The committee may wish to enquire of officers whether they responded to the consultation and the details of any response.</i></p>
<b>Transfer of Audit Commission responsibilities from 1 April 2015</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>Low</b></p>	<p>The work that auditors will carry out on 2015/16 accounts will be completed under the new Code of Audit Practice that the National Audit Office (NAO) is developing. Under the Local Audit and Accountability Act 2014 the Commission's responsibility to prepare and publish a Code transfers to the NAO.</p> <p>From 1 April 2015, Public Sector Audit Appointments (PSAA), set up by the Local Government Association as an independent company, will oversee the Audit Commission's audit contracts until they end in 2017, or 2020 if extended by DCLG. PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for housing benefit subsidy certification and for publishing the Commission's value for money profiles tool will also transfer to PSAA.</p> <p>The Commission's other functions will also transfer to new organisations, with local value for money studies as well as responsibility for the Code of Audit Practice transferring to the National Audit Office, the National Fraud Initiative to the Cabinet Office, and the counter-fraud functions to Chartered Institute of Public Finance and Accounting (CIPFA).</p> <p>The Audit Commission will be writing to audited bodies and other stakeholders in the coming months with more information about the transfer of the Commission's functions and where to find details on specific questions.</p>	<p><i>The committee may wish to enquire of officers whether they have received any such communications from the Audit Commission and the details of any response.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p><b>Audit commission consultation for the 2015/16 proposed work programme and scale fees.</b></p>	<p>● Low</p>	<p>On the 13<sup>th</sup> October 2014 the Audit Commission published for consultation the 2015/16 proposed work programme and scales of fees.</p> <p>Separate documents cover the Commission’s work programme at local government and police bodies, and at health bodies. The consultation sets out the work that auditors will undertake at principal audited bodies for 2015/16, with the associated scales of fees. The Department for Communities and Local Government (DCLG) has asked the Audit Commission to set fees for 2015/16 before the Commission’s closure on 31 March 2015.</p> <p>They are proposing to reduce scale fees by a further 25 per cent from 2015/16. They do not plan to make changes to the overall work programme. The fee reduction will apply to all principal bodies, with the exception of 15 local government bodies whose scale audit fees are already below £20,000, and of the fees for pension fund audits at local authorities.</p> <p>The 25 per cent fee reduction has been achieved as a result of the recent procurement exercise to retender the work undertaken under the older contracts with audit firms, and is in addition to the 40 per cent cut in fees made by the Commission in 2012. These savings are part of the legacy the Commission will leave behind after March 2015, with the lowest total audit fees for 25 years.</p> <p>The Commission is also making further rebates in respect of audit fees to audited bodies, returning another £6 million to most principal bodies, excluding CCGs.</p> <p>The rebates will be paid by cheque directly to audited bodies in October 2014. The rebates result from the efficient management of the Commission’s closure. The Commission’s Board will consider in March 2015 the amount of any final rebate on audit fees.</p> <p><b>The consultation closes on Friday 9 January 2015.</b> The Commission will publish the final work programme and scales of fees for 2015/16 in March 2015.</p> <p>The consultation documents, and the lists of individual scale fees, are available on the Audit Commission website: <a href="http://www.audit-commission.gov.uk/audit-regime/audit-fees/201516propwpsf/">http://www.audit-commission.gov.uk/audit-regime/audit-fees/201516propwpsf/</a></p>	<p><i>The committee may wish to enquire of officers whether they responded to the consultation and the details of any response.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p><b>Audit commission consultation on supplementary fee for the 2014/15 accounts – work on business rates</b></p>	<p>● Low</p>	<p>The Audit Commission is also consulting on a supplementary fee for the audit of the accounts for 2014/15 for audit work required on business rates. The consultation applies to district, unitary, metropolitan borough and London borough councils. <b>The consultation closed on Friday 7 November 2014.</b></p> <p>Auditors are no longer required to undertake certification work for the Department of Communities and Local Government on national non-domestic rates, following the introduction in April 2013 of new arrangements for collecting and distributing business rates. In completing their work on the financial statements of applicable councils, auditors previously placed reliance on their certification work on national non-domestic rates. In the absence of this work, auditors need to undertake additional audit procedures on material business rates balances and disclosures in the financial statements.</p> <p>The additional audit work requires a small additional fee for applicable councils, equivalent to half the average cost by council type of the relevant certification work undertaken in 2012/13. The additional fee by council type is:</p> <ul style="list-style-type: none"> <li>■ district councils : £900;</li> <li>■ London borough councils: £2,600;</li> <li>■ metropolitan borough councils: £1,470; and</li> <li>■ unitary authorities: £1,070.</li> </ul> <p>The additional fee represents a net saving to councils of half the average previous certification fees by council type. Following consultation, the additional fee will be added to the scale audit fee for 2014/15 onwards.</p>	<p><i>The committee may wish to enquire of officers whether they responded to the consultation and the details of any response.</i></p>

Area	Level of Impact	Comments
<b>Government plans to regulate public sector exit payments</b>	● <b>For information</b>	<p>The government has recently consulted on proposals to ensure exit payments are recovered when high earners return to the same part of the public sector within twelve months of leaving. The proposed provisions will be included in the Small Business, Enterprise and Employment Bill.</p> <p>The consultation outlines the government's proposal to underpin exit payment recovery across the public sector. The government expects any changes brought about as part of this consultation to support existing or on-going changes to exit payment arrangements to ensure they are fair and promote value for money more widely.</p> <p>More information can be found at <a href="https://www.gov.uk/government/consultations/recovery-of-public-sector-exit-payments">https://www.gov.uk/government/consultations/recovery-of-public-sector-exit-payments</a></p>
<b>Consultation on Local Government Pension Scheme</b>	● <b>For information</b>	<p>The government has recently consulted on new governance arrangements, and sought responses from interested parties on the draft (pension) regulations which are to come into force from October 2014 onwards.</p> <p>The main provisions include a requirement for the Secretary of State to establish a national scheme advisory board to advise him on the desirability of changes to the scheme. Provision is also made for administering authorities to establish local pension boards to assist them with the effective and efficient management and administration of the scheme.</p> <p>Further information can be found at <a href="https://www.gov.uk/government/consultations/the-local-government-pension-scheme-amendment-regulations-2014-draft-regulations-on-scheme-governance">https://www.gov.uk/government/consultations/the-local-government-pension-scheme-amendment-regulations-2014-draft-regulations-on-scheme-governance</a></p>
<b>VFM data briefing on expenditure on looked after children</b>	● <b>For information</b>	<p>The Audit Commission has published Councils' expenditure on looked after children, the latest in its series of VFM data briefings analysing data in the VFM profiles.</p> <p>The briefing reports that, although the number of looked after children increased by 12 per cent between 2008/09 and 2012/13, councils' expenditure increased by only 4 per cent. Reductions in the daily cost of care and an increase in the proportion of children receiving foster care saved a total of £239 million, partially offsetting the spending pressure arising from the increased number of children in care.</p> <p>The briefing looks in more detail at some of the factors which influence how much councils spend on foster care and encourages councils to use the VFM Profiles to compare their costs with those of similar councils.</p> <p>The briefings can be found at: <a href="http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2">http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2</a></p>

Area	Level of Impact	Comments
<p><b>Government publishes response on local authority parking strategies</b></p>	<p>● <b>For information</b></p>	<p>The government launched a consultation paper on local authority parking enforcement in 2013. The consultation closed in February 2014 and the government has now responded with a number of proposals, including:</p> <ul style="list-style-type: none"> <li>■ amending guidance to make it clear that motorists parking at an out-of-order meter should not be issued a penalty charge where there are no alternative ways to pay;</li> <li>■ banning the use of CCTV cameras to enforce parking contraventions in the vast majority of cases, but with some exceptions (eg restricted areas outside of schools);</li> <li>■ widening the powers of parking adjudicators. This could include, for example, measures to protect drivers where adjudicators have repeatedly identified a problem at a specific location (such as inadequate signage) and parking tickets have repeatedly been issued; and</li> <li>■ introducing a mandatory 10 minute free period at the end of paid-for on-street parking either through amendments to statutory guidance or regulations.</li> </ul> <p>Further information can be found at <a href="https://www.gov.uk/government/consultations/local-authority-parking">https://www.gov.uk/government/consultations/local-authority-parking</a></p>
<p><b>Tool launched to help councils compare care performance on social care</b></p>	<p>● <b>For information</b></p>	<p>The Department of Health has launched a new tool to help councils compare their performance on social care with similar areas across England. The tool groups upper tier and unitary authorities by their spending on the over-65s and working age adults with learning disabilities. The aim is to help local authorities see how they are meeting various indicators, and to identify areas for improvement by viewing the performance of their peers.</p> <p>The tool can be found at: <a href="https://www.gov.uk/government/publications/adult-social-care-efficiency-tool">https://www.gov.uk/government/publications/adult-social-care-efficiency-tool</a></p>
<p><b>Funding healthcare: Making allocations to local areas (NAO report)</b></p>	<p>● <b>For information</b></p>	<p>The National Audit Office (NAO) has recently published a report examining the extent to which £79 billion of central funding allocated to local health bodies differs from target allocations based on relative need. It finds that nearly two-fifths of Clinical Commissioning Groups (CCGs) are more than five percentage points above or below their fair share of funding per person. It also finds that there is a clear relationship between the financial position of CCGs and their distance from target funding allocations, with 19 of the 20 CCGs with the tightest financial position receiving less than their target allocation, and 18 of the 20 with the largest surpluses receiving more than their target allocation.</p> <p>For more information, visit <a href="http://www.nao.org.uk/report/funding-healthcare-making-allocations-to-local-areas/">http://www.nao.org.uk/report/funding-healthcare-making-allocations-to-local-areas/</a></p>

Area	Level of Impact	Comments
<p><b>Distribution of National Fraud Initiative (NFI) information packs to elected members at councils in England</b></p>	<p>● <b>For information</b></p>	<p>To complement the National Fraud Initiative (NFI) national report published in June 2014 (available at <a href="http://www.audit-commission.gov.uk/national-fraud-initiative/nfi-reports/">http://www.audit-commission.gov.uk/national-fraud-initiative/nfi-reports/</a>), the Audit Commission distributed an information pack for elected members with responsibility for finance and audit at councils in England in August. A copy was also be sent to directors of finance and NFI key contacts for information.</p> <p>The information pack brings together key facts about the NFI, the council's NFI outcomes and comparisons to their CIPFA nearest neighbours. The pack links to a series of questions elected members can put to their director of finance (NFI senior responsible officer). The responses will help them understand how the NFI is being used within the council, the benefits of taking part and if they are being maximised.</p> <p>If you did not receive the information pack and would like a copy please contact via email at <a href="mailto:nfiqueries@audit-commission.gsi.gov.uk">nfiqueries@audit-commission.gsi.gov.uk</a></p>
<p><b>The Audit Commission publish the Protecting the Public Purse 2014 (PPP 2014) report.</b></p>	<p>● <b>For information</b></p>	<p>On 23 October 2014 the Audit Commission published the <i>Protecting the Public Purse 2014</i> (PPP 2014) report. PPP 2014 is for those responsible for governance in local government. PPP 2014 includes:</p> <ul style="list-style-type: none"> <li>■ the scale and value of fraud detected by local government bodies in 2013/14;</li> <li>■ longer term trends in fraud detection, including tenancy fraud;</li> <li>■ trends and threats in other significant fraud types; and</li> <li>■ national developments impacting on local government counter-fraud.</li> </ul> <p>In addition, PPP 2014:</p> <ul style="list-style-type: none"> <li>■ gives details of detected frauds and losses by region;</li> <li>■ updates our checklist for those responsible for governance; and</li> <li>■ highlights the second year of a programme of individual fraud briefings for councils.</li> </ul> <p>The Audit Commission have issued fraud briefings to auditors in November 2014 for individual county councils, district councils, London boroughs, metropolitan district and unitary councils.</p> <p><b>A copy of the Fraud Briefing is being presented to the Audit Committee on 22 January 2014.</b></p>

Area	Level of Impact	Comments
<p><b>NAO published a report examining the progress to date on the implementation of the Better Care Fund (BCF)</b></p>	<p>● <b>For information</b></p>	<p>The National Audit Office (NAO) has recently published a report examining the progress to date on the implementation of the Better Care Fund (BCF). Whilst the programme is recognised as being an innovative idea, the NAO highlights issues with the quality of early preparation and planning. It also finds that initial plans, submitted by all 151 local health and wellbeing boards in April 2014, did not generate the level of savings the Government anticipated and all plans had to be resubmitted.</p> <p>Planning for the Fund paused between April and July 2014 while the Government reviewed and revised the Fund's scope and how the £1 billion pay-for-performance part of the Fund would work. Independent assurance of the revised Fund plans found them to be stronger and better supported. Almost two-thirds of plans were either approved by Ministers or approved with support and only 5 plans were not approved. The biggest risk area identified is to the protection of social care services with 21 local areas assessed as having significant risks.</p> <p>The report can be found on the NAO website: <a href="http://www.nao.org.uk/report/planning-better-care-fund-2/">http://www.nao.org.uk/report/planning-better-care-fund-2/</a></p>
<p><b>Audit Commission publish: an update on Council tax and business rates collection.</b></p>	<p>● <b>For information</b></p>	<p>The Audit Commission has published an update to the Council tax and business rates collection VFM briefing, the last in its series of VFM data briefings analysing data in the VFM Profiles. The briefing looks at the amount of council tax and business rates councils collected and their collection rates in 2013/14 – the first year of new localised council tax support schemes and business rate retention arrangements.</p> <p>By the end of 2013/14 councils had collected £46.05 billion of the £47.26 billion due to be paid that year, leaving £1.21 billion uncollected. Council tax collection rates were 0.4 per cent lower than in 2012/13 but business rates collection rates were 0.2 per cent higher. Council tax debt from 2013/14 and previous years increased by 6 per cent. The proportion of debt from previous years that councils collected ranged from 2 per cent to 76 per cent and the proportion of debt written off ranged from 1 per cent to 32 per cent.</p> <p>Nearly four fifths of councils collected more business rates in 2013/14 than they did in 2012/13 in real terms and so were likely to benefit from the new business rates retention arrangements.</p> <p>The update can be found on the Audit Commission website: <a href="http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/">http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</a></p>

Area	Level of Impact	Comments
<p>The Audit Commission has updated the guidance for auditors on the conclusion on arrangements to secure value for money (VFM) for 2014/15 local VFM work.</p>	<p>● For information</p>	<p>The Audit Commission has updated the guidance for auditors on the conclusion on arrangements to secure value for money (VFM) for 2014/15 local VFM work. The guidance supports auditors' work on arrangements to secure VFM at the following types of audited body:</p> <ul style="list-style-type: none"> <li>■ NHS trusts;</li> <li>■ clinical commissioning groups (CCGs);</li> <li>■ single-tier, county and district councils;</li> <li>■ fire and rescue authorities;</li> <li>■ the Greater London Authority, the London Legacy Development Corporation and Transport for London;</li> <li>■ police bodies; and</li> <li>■ other local government bodies.</li> </ul> <p>The key principles underpinning the Commission's approach on the conclusion on arrangements to secure VFM continue to be that it:</p> <ul style="list-style-type: none"> <li>■ enables auditors to fulfil their responsibility under the Audit Commission Act 1998, relating to an audited body's arrangements to secure economy, efficiency and effectiveness; and</li> <li>■ is applied proportionately to reflect the size, capacity and performance of different types of audited body and, as far as possible, consistently across all sectors of the Commission's regime.</li> </ul> <p>The main changes in the update for 2013/14 are set out in section 1.1 of the guidance. These are:</p> <ul style="list-style-type: none"> <li>■ sections 1 and 2 updated to reflect changes relating to the Commission's closure in March 2015;</li> <li>■ sector context and risk indicators updated for sections 3 to 6;</li> <li>■ section 4 on Clinical Commissioning Groups (CCGs) updated to apply the specified reporting criteria, recognising that 2014/15 represents CCGs' second full year of operations; and</li> <li>■ section 8 on reporting updated to emphasise further the type of conclusions that can be issued at different bodies, and when these may or may not be appropriate.</li> </ul> <p>The updated guidance is now available on the Audit Commission's website: <a href="http://www.audit-commission.gov.uk/audit-regime/codes-of-audit-practice/value-for-money-conclusion/">http://www.audit-commission.gov.uk/audit-regime/codes-of-audit-practice/value-for-money-conclusion/</a></p>

Area	Level of Impact	Comments
<p>VFM profiles updated for the 2014/15 data sourced from DCLG</p>	<p>● For information</p>	<p>The Audit Commission VFM profiles planned budget section now contains the 2014/15 data sourced from the Department for Communities and Local Government – General Fund Revenue Account Budget (RA). The values are adjusted with gross domestic product (GDP) deflators from the HM Treasury's publication in June 2014.</p> <p>Other sections of the VFM profiles have also been updated with the latest data values for the following data sources:</p> <ul style="list-style-type: none"> <li>■ Mid-year population estimates</li> <li>■ Planning applications</li> <li>■ Fuel poverty</li> <li>■ Climate change statistics</li> <li>■ Active people survey</li> <li>■ NHS delayed transfers of care</li> <li>■ Finance and general statistics</li> <li>■ Provision for children under five years of age in England</li> <li>■ Young people from low income backgrounds progressing to higher education</li> <li>■ Collection rates for council tax and non-domestic rates</li> <li>■ Housing benefit speed of processing</li> <li>■ Housing benefit recoveries and fraud data</li> <li>■ Housing benefit caseload statistics</li> <li>■ Child and working tax credit statistics</li> <li>■ Children in low-income families local measure</li> <li>■ Special educational needs in England</li> <li>■ Homelessness statistical release (P1E)</li> <li>■ Fire statistics monitor</li> <li>■ Fire and rescue authorities operational statistics bulletin</li> <li>■ Fire and rescue service statistics</li> </ul> <p>The VFM profiles can be seen on the Audit Commission website: <a href="http://www.audit-commission.gov.uk/information-and-analysis/">http://www.audit-commission.gov.uk/information-and-analysis/</a></p>

Area	Level of Impact	Comments
<p><b>NAO have published two complimentary reports examining local authority finances:</b></p> <ul style="list-style-type: none"> <li><b>The financial Sustainability of local authorities 2014 and;</b></li> <li><b>The impact of funding reductions in local authorities</b></li> </ul>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>The National Audit Office (NAO) has recently published two complimentary reports examining local authority finances: Financial sustainability of local authorities 2014 and The impact of funding reduction of local authorities. The reports include findings based on surveys of Commission appointed auditors carried out since 2001 by the Commission. The NAO were provided with anonymised analysis of the survey findings by the Commission in order to support this work.</p> <p>The NAO finds that local authorities have coped well with reductions in government funding, but some groups of authorities are showing clear signs of financial stress. Over a quarter of single tier and county councils (those authorities responsible for social care and education) had to make unplanned reductions in service spend to deliver their 2013/14 budgets. Auditors are increasingly concerned about local authorities' capacity to make further savings, with 52 per cent of single tier and county councils not being well-placed to deliver their medium-term financial plans.</p> <p>The NAO also found that there is significant variation in the way that authorities have responded to the funding reductions. Authorities that have had larger cuts in government funding have not been able to protect funding of adults' and children's social care to the same extent as those with lower cuts. The report also shows that certain sub-services have experienced very substantial cuts in spending. Spending on the Supporting People programme, housing support and advice for vulnerable people fell by 45 per cent. Between 2010/11 and 2013/14, budgeted real terms spending on services for young people fell by 34 per cent.</p> <p>The reports can be found on the NAO website:</p> <ul style="list-style-type: none"> <li>Financial sustainability of local authorities 2014: <a href="http://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2014/">http://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2014/</a></li> <li>The impact of funding reductions on local authorities: <a href="http://www.nao.org.uk/report/the-impact-funding-reductions-local-authorities/">http://www.nao.org.uk/report/the-impact-funding-reductions-local-authorities/</a></li> </ul>



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# Appendix

## Appendix 1 – 2014/15 Audit deliverables

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	Apr 2014	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	Feb 2015	TBC
<b>Interim</b>			
Interim report (if applicable)	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial Value for Money (VFM) assessment on the Council's arrangements for securing value for money in the use of its resources.	TBC	TBC
<b>Substantive procedures</b>			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's VFM arrangements.	Sept 2015	TBC
<b>Completion</b>			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	Sept 2015	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	Sept 2015	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	Nov 2015	TBC
<b>Certification of claims and returns</b>			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	Dec 2015	TBC



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