

Report of the: Director of Policy and
Resources

Agenda
Item No: 5
Meeting: 19 January 2016

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 2014/15
 - External Audit Progress Report and Technical Update; and
 - Appointing your external auditor briefing note

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 2014/15 is attached as appendix A.

Key messages are:

- An unqualified audit opinion was issued on the 2014/15 accounting statements on 25 September 2015. 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 25 September 2015. 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.

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.

2.3 The KPMG briefing note on appointing your external auditor is attached at appendix C. It has been prepared following recent Government decision that local government bodies' audit contracts will only be

extended for one year following the end of the current PSAA contract, to incorporate the 2017/18 financial year.

The appointment of our external auditor is recognised as an important future work item which needs to be considered in the context the council's needs and strategic direction (including shared back office arrangements with NELC). A report will be presented to this Committee with some of the details and implications to consider during 2016.

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, Progress Report and Technical Update and briefing note 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, Progress Report and Technical Update and appointing your external auditor briefing note.

- 8.2 That the Audit Committee receives a report on the appointment of the council's external auditor during 2016 as set out in 2.3.

DIRECTOR OF POLICY AND RESOURCES

Civic Centre
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB

Author: Carol Andrews
Date: 30 December 2015

Background Papers used in the preparation of this report:

KPMG reports:

- Annual Audit Letter 2014/15
- Progress Report and Technical Update
- Briefing Note – Appointing your external auditor



cutting through complexity

Annual Audit Letter 2014/15

North Lincolnshire Council

October 2015



The contacts at KPMG in connection with this report are:

Tim Cutler

Partner

KPMG LLP (UK)

Tel: + 0161 246 4774

tim.cutler@kpmg.co.uk

Linda Wild

Manager

KPMG LLP (UK)

Tel: + 0113 231 3512

linda.wild@kpmg.co.uk

Matthew Moore

Assistant Manager

KPMG LLP (UK)

Tel: + 0113 231 3663

matthew.moore@kpmg.co.uk

Report sections

- Headlines

Appendices

1. Summary of reports issued
2. Audit fees

Page

2

4

5

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 issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies* summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tim Cutler, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This report summarises the key findings from our 2014/15 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 2014/15 financial statements and the 2014/15 VFM conclusion.

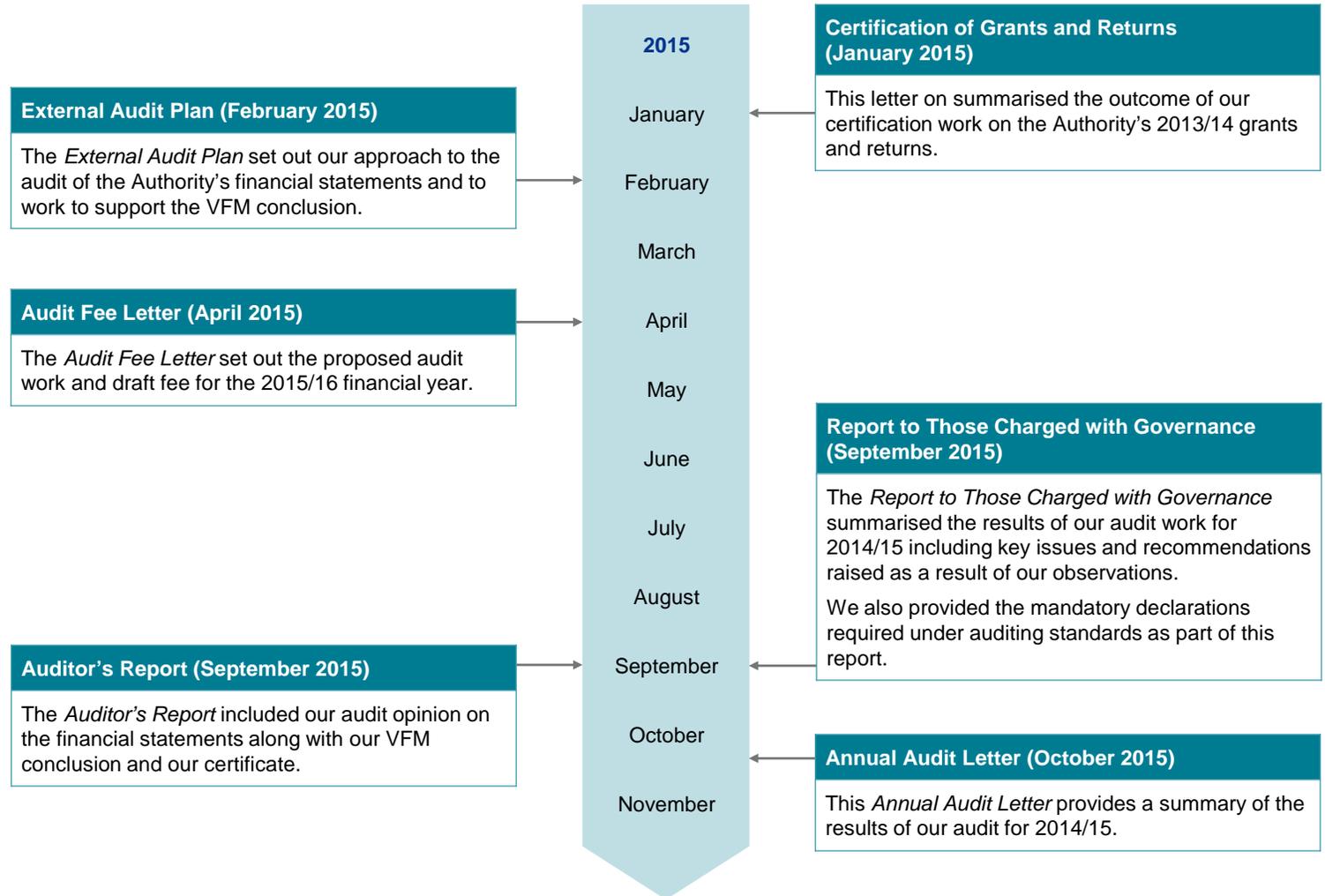
VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 25 September 2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
VFM risk areas	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>Our work identified financial resilience as a risk to our VFM conclusion, based on the Authority's recognised budget pressures and budget uncertainties from 2016/17 onwards which may require budget plans to be reviewed.</p> <p>We assessed the controls the Authority has in place to ensure sound financial standing, specifically that its Medium Term Financial Plan duly takes into consideration potential funding reductions and that it is sufficiently robust to ensure that the Authority can continue to provide services effectively. We also reviewed how the Authority is planning and managing its savings plans.</p> <p>We are satisfied that the Council has satisfactory arrangements in place to ensure its finances are managed and controlled to ensure sound financial standing and value for money.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 25 September 2015. 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>
Financial statements audit	<p>The Authority has good processes in place for the production of the accounts and good quality supporting working papers.</p> <p>We identified two audit adjustments with a total value of £14.9m however the net impact on the overall Net Cost of Services in the Comprehensive Income and Expenditure Statement is nil. Further details of the adjustments are detailed in our ISA260 report that was issued in September 2015.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>
Whole of Government Accounts	<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>

All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

High priority recommendations	<p>We raised no high priority recommendations as a result of our 2014/15 audit work. We raised one medium priority recommendation and we will formally follow this recommendations up as part of our 2015/16 work.</p>
Certificate	<p>We issued our certificate on 25 September 2015 The certificate confirms that we have concluded the audit for 2014/15 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>
Audit fee	<p>Our fee for the 2014/15 external audit was £138,850, excluding VAT. This is in line with the fee that was set out in our Audit Plan.</p> <p>We also carried out some additional work for you in 2014/15, totalling £11,000 (excluding VAT). This relates to two pieces of grant certification work (£3,500, each) and one workshop relating to the shared services project (£2,000). 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 the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

External audit

Our final fee for the 2014/15 audit was £138,850, which is in line with the fee that was set out in our Audit Plan.

Certification of grants and returns

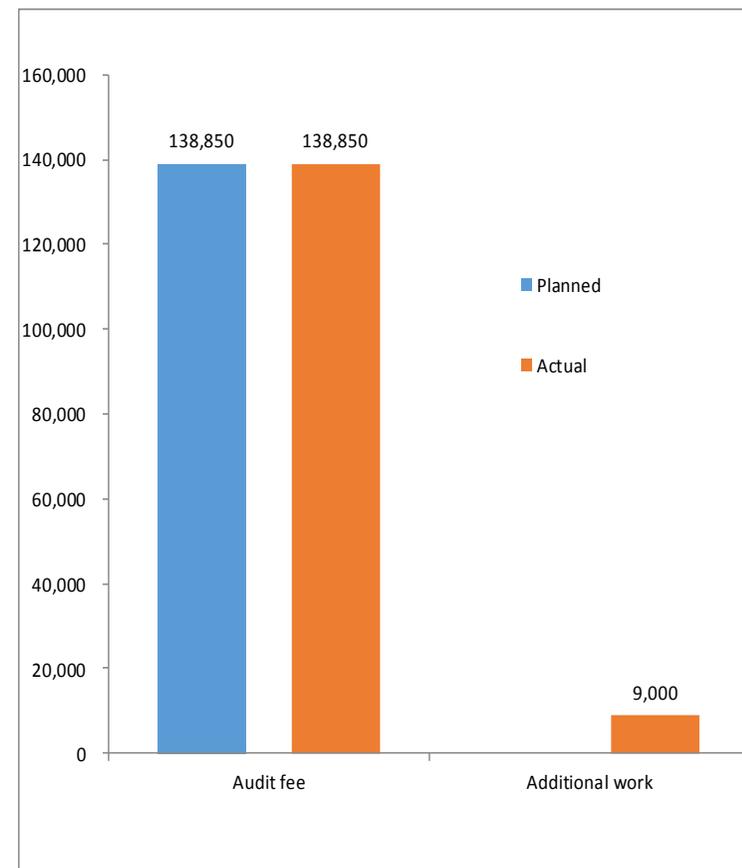
Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2016.

Other services

We will charge £7,000 in total for additional audit-related services for the certification of the Teachers' Pension Authority EOYCa Return (£3,500) and the National College for Teaching and Leadership Annual Grant Report and Initial Teacher Training Statements of Income and Expenditure (£3,500). These grants and returns are outside of Public Sector Audit Appointment's certification regime.

We have also charged £2,000 for non-audit related services in respect of the provision of a workshop relating to the Authority's shared services project. This work was not related to our responsibilities under the *Code of Audit Practice*.

External audit fees 2014/15 (£'000)





cutting through complexity

© 2015 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.

Appointing your external auditor

Background

In August 2010 the then Secretary of State for Communities and Local Government, Eric Pickles, announced that he intended to close the Audit Commission, the body that appointed external auditors to Local Government and NHS organisations (excluding Foundation Trusts). As part of this announcement, he also stated that organisations whose appointments were previously controlled by the Audit Commission should have the freedom to appoint their own external auditors.

The Audit Commission closed on 31 March 2015. At that time contracts were already in place for local government and NHS external audit appointments that covered audits up to and including the financial year 2016/17. Within these contracts there is an option to extend for a maximum of three further years, i.e. up to and including the financial year 2019/20.

A consultation exercise with key stakeholder groups has recently been concluded on whether, and if so for how long, to extend these contracts. The Government decided that for local government bodies the contracts will be extended by one year, so incorporating the audit of the 2017/18 financial year. Contracts for NHS bodies will not be extended.

What does this mean for your organisation?

This decision means that you will assume the power to appoint your external auditor from the 2018/19 financial year onwards. This will be the first time you have made such an appointment. External auditors provide an important professional service and play a critical role in the stewardship of public spending, so it is vital that this new decision making power is exercised after careful consideration on how to proceed. Whilst you have different options open to you on how to approach this new power, you will need to comply with some specific requirements.

Appointing your external auditor

What should local authorities be considering?

In deciding what to do there are a number of considerations.

Do your current external auditors provide you with a good service?	If yes, do you need to change? If no, now you have an opportunity to do something about it.
How could we procure an external audit service to ensure we get best value?	You will have a number of options on how and when to procure your external audit service – these are summarised later in this document. Given the range of options it will be important to consider the best approach for your organisation.
What do we need to do before we start a procurement process?	The new regulations require you to have an Audit Panel, which will be responsible for recommending who your external auditor should be. This Panel must include a majority of independent (i.e. not elected) members and an independent chair. It makes sense for the Panel to have links with your audit committee.
When do we need to undertake a procurement exercise?	The regulations require you to have appointed your external auditor by 31 December in the year preceding the year of audit. As 2018/19 is the first year of these new arrangements, you will need to have appointed your auditor by 31 December 2017. You will need to undertake whatever procurement process you follow in good time – sometime between the Spring and Autumn of 2017. And before doing that you will need to have established your Audit Panel – by early 2017 would be sensible.
Who can I appoint to be our external auditor?	You will only be able to appoint an audit firm that has been authorised by the ICAEW to undertake ‘local audit work’. Local government auditing is highly specialised and you will need to ensure that your auditor has the necessary capability, experience and capacity to fulfil the statutory duties of a local government auditor.

Appointing your external auditor

Procurement options

Although local government bodies will all assume the same power to appoint their external auditor, it is likely that various options will be followed on how they go about doing this. The main options are set out below.

Re-appoint incumbent auditor	One option might be to continue with your current audit provider for a short period, say between one and three years. This would delay testing the market, although you could benchmark proposed fees for reasonableness against published data or by comparing to similar bodies. This would provide stability of service in the short term and also avoid the 'rush to market' as large numbers of local authorities undertake procurement exercises within a short period of time, allowing you to procure later in a more settled audit market.
Stand-alone tendering	As with any other service, you could run your own procurement process. This allows complete autonomy over how and when you want this to be done, although you will need to ensure you follow the Regulations and consider any guidance issued by DCLG or other relevant bodies. However, you should consider whether you will have sufficient purchasing power on your own to obtain best value.
Combined procurement	You could join together with one or more neighbouring authorities to undertake a collective procurement exercise. This would enhance your purchasing power, but would diminish your autonomy over the process and you would need to consider how to retain sufficient sovereignty over decision making and whether this might complicate auditor independence considerations.
Existing frameworks	You could use one of the many existing government or public sector frameworks. These list firms who have already been shortlisted and therefore might speed up the process. You will need to ensure that the firms on any framework have been authorised by the ICAEW for local audit work, however.
Sector led procurement	The new audit legislation allows for a sector-led body (referred to as a 'specified person' in the Regulations) to undertake a bulk procurement process. If such an organisation emerges then this option provides an administratively easy route and would most likely have the greatest element of specialist audit procurement expertise. It would also provide good purchasing power, although with less autonomy than some other options, and might afford easier management of potential auditor independence issues than other combined procurements approaches. It will be the most similar option to the current arrangements.

Appointing your external auditor

What other factors should you consider?

When you are deciding who to appoint as your external auditor you will need to consider a range of factors. Key areas to consider are as follows:

- **Quality:** This is a vital consideration and should be appropriately weighted in any scoring methodology for assessing tenders. Relevant considerations include audit methodologies, systems and processes, staff training and expertise, and quality monitoring arrangements.
- **Experience:** Local government auditing is a specialist business and your auditor must have the necessary skills and sector experience. This is not just about understanding local authority financial reporting, but extends into auditors' value for money audit responsibilities and 'challenge' work.
- **Independence:** You will need to consider possible relationships with audit firms via non-audit work such as consultancy and tax advice. Independence is also an important mind-set for auditors to adopt, where you should be satisfied that your future auditor will be sufficiently challenging (and your current auditor should not be constrained in exercising their duties by any tendering process).
- **Organisational fit:** As with any service it is important to consider how the people you see in the audit team fit with your own organisational culture – i.e. can you work with these people.
- **Price:** Like any other out-sourced service you need to obtain good value through a competitive audit fee. However, best value does not mean the cheapest quote. The fee must be sufficient to provide a good quality service taking account of the scale, nature and risk profile of your organisation, and also the requirement for your external auditor to comply with auditing standards and other statutory duties.
- **Other services:** Although ethical standards provide limitations, you should consider what other services you might want your auditor to perform, whether that is other assurance services (e.g. certifying grant claims) or more added-value services.

Appointing your external auditor

What next?

There is still plenty of time before you appoint your external auditor for the first time, but there will be a long lead up to that decision. It is therefore important to think about how your organisation should approach this in good time. We would suggest that you should be developing your procurement strategy and selecting your preferred approach during 2016.

It is likely that further guidance and support will be issued by DCLG, and potentially other organisations such as CIPFA, to help you with the decisions you need to make and how you proceed. We will continue to update you on key developments.

If you want to discuss this further please contact your audit Engagement Lead (Tim Cutler) or Manager (Linda Wild).

Contact



Tim Cutler
Partner, KPMG LLP
Public Sector Audit

Tel: 0161 246 4774

Email: tim.cutler@kpmg.co.uk

Contact



Linda Wild
Manager, KPMG LLP
Public Sector Audit

Tel: 0113 231 3512

Email: linda.wild@kpmg.co.uk



cutting through complexity

© 2015 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.



cutting through complexity

External audit progress report and technical update

North Lincolnshire Council

January 2016

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

PROGRESS REPORT					
External audit progress report					3
KPMG RESOURCES					
Local Government Technical Update– February 2016					
TECHNICAL UPDATE					
New local audit framework	●	7	Care Act first-phase reforms – local experience of implementation	●	10
Accounts and Audit Regulations 2015 – Narrative statements	●	8	Proposed changes to business rates and core grant	●	10
Accounts and Audit Regulations 2015 – Exercise of public rights	●	8	Public Sector Audit Appointments Ltd (PSAA) – VFM profiles update	●	11
Consultation on 2016/17 audit work programme and scales of fees	●	9			
APPENDIX					
Appendix 1 – 2015/16 audit deliverables					13



cutting through complexity

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
Planning	<i>Our planning for 2015/16 has commenced. We will discuss our Audit Plan with officers in January 2016.</i>
Financial statements	<i>We will update this section as we progress the 2015/16 Interim Audit, planned for Feb/March 2016.</i>
Value for Money	<i>We will update this section as we progress the 2014/15 Interim Audit, planned for Feb/March 2016.</i>
Certification of claims and returns	<p><i>We have completed or work on the Council's 2014/15 Housing Benefit and Subsidy Claim. This is the only grant claim to remain under the PSAA regime.</i></p> <p><i>We have also completed the audit of the following grant claims and returns which fall outside of the PSAA regime:</i></p> <ul style="list-style-type: none"> • <i>Teacher's Pensions Agency Return; and</i> • <i>National College for Teaching and Leadership Annual Grant Report and Initial Teacher Training Statements of Income and Expenditure.</i> <p><i>A separate grants report on the above will be issued to officers for discussion in January 2016.</i></p> <p><i>Our work on the Council's 2015/16 Housing Benefit and Subsidy Claim will commence in the Summer of 2015 and will be completed before the deadline of 30th November 2016.</i></p>
Other work	<i>No additional work has been requested that we have not already brought to the Audit Committee's attention.</i>



cutting through complexity

KPMG resources

Area	Comments
<p>Local Government Technical Update – February 2016</p>	<p>We are pleased to confirm that we will once again be running a series of local government accounts workshops for key members of your finance team. The workshops are focussed at Chief Accountants and similar staff who will be involved in and responsible for the 2015/16 close down and statement of accounts.</p> <p>The workshops will be led by our regional local government audit teams supported by our national local government technical lead Greg McIntosh. The agenda will include:</p> <ul style="list-style-type: none"> ■ Review of 2014/15; ■ Key Issues and developments for 2015/16; ■ Longer term developments; and ■ Tax and Pensions specialists. <p>The events are due to take place as follows:</p> <ul style="list-style-type: none"> ■ Leeds – 4 February 2016 ■ Leicester – 5 February 2016 ■ Preston – 8 February 2016 ■ Birmingham – 12 February 2016 ■ London (Canary Wharf) – 22 February 2016 ■ Bristol – 24 February 2016 <p>For more information, please contact Linda Wild on tel.no: 0113 2313512 / 07717 483538 or e-mail: Linda.Wild@kpmg.co.uk</p>



cutting through complexity

Technical update

Area	Level of impact	Comments	KPMG perspective
New local audit framework	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>The Local Audit and Accountability Act 2014 included transitional arrangements covering the audit contracts originally let by the Audit Commission in 2012 and 2014. These contracts covered the audit of accounts up to 2016/17, and gave the Department for Communities and Local Government (DCLG) the power to extend these contracts to 2019/20.</p> <p>DCLG have now announced that the audit contracts for large local government bodies (including district, unitary and county councils, police and fire bodies, transport bodies, combined authorities and national parks) will be extended to include the audit of the 2017/18 financial statements. From 2018/19, local government bodies will need to appoint their own auditors; it is not yet clear whether there will be a sector-led body that is able to undertake this role on behalf of bodies.</p> <p>NHS and smaller local government bodies (town and parish councils, and internal drainage boards), will not have their contracts extended, and will have to appoint their own auditors for 2017/18, one year earlier than for larger local government bodies.</p>	<p><i>We understand guidance is being prepared by CIPFA on the request of the NAO.</i></p> <p><i>We will also be preparing a briefing note for clients.</i></p>

Area	Level of Impact	Comments	KPMG perspective
Accounts and Audit Regulations 2015 – Narrative statements	<p style="text-align: center;">● Low</p>	<p>Authorities will need to be aware that the <i>Accounts and Audit Regulations 2015</i> require local authorities to produce and publish a narrative statement. Section 8 of the Regulations, which apply first from the 2015/16 financial year, states:</p> <p><i>Narrative statements</i></p> <ol style="list-style-type: none"> 1) <i>A Category 1 authority must prepare a narrative statement in accordance with paragraph (2) in respect of each financial year.</i> 2) <i>A narrative statement prepared under paragraph (1) must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.</i> <p>Authorities will need to publish the narrative statement along with the financial statements. The narrative statement does not form part of the financial statements and is therefore not subject to audit. As part of their audit work however, auditors will need to review the statement for consistency with their knowledge.</p> <p>The narrative statement replaces the explanatory foreword and will need to be prepared in accordance with CIPFA/LASAAC's <i>Code of Practice on Local Authority Accounting</i> (the accounting code). The 2016/17 accounting code will contain high level principles for authorities to follow when preparing their narrative statements. The principles set out in the accounting code will also be relevant to 2015/16 and we understand that CIPFA/LASAAC is likely to publish an update to the 2015/16 accounting code to clarify this.</p>	<p><i>The Committee may wish to seek assurances that their authorities have arrangements in place to meet the new requirements</i></p>
Accounts and Audit Regulations 2015 – Exercise of public rights	<p style="text-align: center;">● Low</p>	<p>Authorities will be aware that the Accounts and Audit Regulations 2015 (the Regulations) set out new arrangements for the exercise of public rights from 2015/16 onwards.</p> <p>Paragraph 9(1) of the Regulations requires the responsible financial officer to commence the period for the exercise of public rights and to notify the local auditor of the date on which that period was commenced.</p> <p>Paragraph 9(2) is clear that the final approval of the statement of accounts by the authority prior to publication cannot take place <i>until after the conclusion of the period for the exercise of public rights</i>.</p> <p>As the thirty working day period for the exercise of public rights must include the first ten working days of July, this means that authorities will not be able to approve their audited accounts or publish before 15 July 2016.</p>	<p><i>The Committee may wish to seek assurances that the necessary arrangements are in place for their Authority.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>Consultation on 2016/17 audit work programme and scales of fees</p>	<p>● Low</p>	<p>Public Sector Audit Appointments Ltd (PSAA) has published its consultation on the 2016/17 proposed work programme and scales of fees.</p> <p>The consultation sets out the work that auditors will undertake at principal audited bodies for 2016/17, with the associated scales of fees. The consultation documents, and list of individual proposed scale fees, are available on the PSAA website at www.psa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/</p> <p>There are no planned changes to the overall work programme for 2016/17. It is proposed that scale fees are set at the same level as the scale fees applicable for 2015/16, set by the Audit Commission before it closed in March 2015. The Commission reduced scale fees from 2015/16 by 25 per cent, in addition to the reduction of up to 40 per cent made from 2012/13.</p> <p>Following completion of the Audit Commission's 2014/15 accounts, PSAA has received a payment in respect of the Audit Commission's retained earnings.</p> <p>PSAA will redistribute this and any other surpluses from audit fees to audited bodies, on a timetable to be established shortly.</p> <p>The work that auditors will carry out on the 2016/17 accounts will be completed based on the requirements set out in the Local Audit and Accountability Act 2014 and under the Code of Audit Practice published by the National Audit Office.</p> <p>The consultation closes on Friday 15 January 2016. PSAA will publish the final work programme and scales of fees for 2016/17 in March 2016.</p>	<p><i>The Committee may wish to seek assurances on how their Authority have responded to the consultation.</i></p>

Area	Level of Impact	Comments
Care Act first-phase reforms – local experience of implementation	<p style="text-align: center;">●</p> <p style="text-align: center;">For Information</p>	<p>This report has been published by the National Audit Office and complements its earlier report on central government’s approach to the Care Act first-phase reforms.</p> <p>This further report provides examples from local case study areas which show how different authorities are addressing risks arising from uncertainty in demand from carers and self-funders.</p> <p>The report was published on 3 August and is available from the NAO website at www.nao.org.uk/report/care-act-first-phase-reforms-local-experience-of-implementation/</p>
Proposed changes to business rates and core grant	<p style="text-align: center;">●</p> <p style="text-align: center;">For Information</p>	<p>The Chancellor of the Exchequer has proposed some radical reforms of local government finance. The proposals are that by the end of the decade, councils will retain all locally raised business rates but will cease to receive core grant from Whitehall.</p> <p>The Chancellor set out the landmark changes in a speech to the Conservative party conference in Manchester, saying it was time to face up to the fact that “the way this country is run is broken”.</p> <p>Under the proposals, authorities will be able to keep all the business rates that they collect from local businesses, meaning that power over £26 billion of revenue from business rates will be devolved, he said</p> <p>The uniform national business rate will be abolished, although only to allow all authorities the power to cut rates. Cities that choose to move to systems of combined authorities with directly elected city wide mayors will be able to increase rates for specific major infrastructure projects, up to a cap, likely to be set at £0.02 on the rate.</p> <p>The system of tariffs and top-ups designed to support areas with lower levels of business activity will be maintained in its present state.</p>

Area	Level of Impact	Comments
<p>Public Sector Audit Appointments Ltd (PSAA) – VFM profiles update</p>	<p>● For Information</p>	<p>Public Sector Audit Appointments Ltd (PSAA) maintain the Value for Money profiles tool (VFM profiles) initially developed by the Audit Commission. The profiles were updated on 1 October 2015.</p> <p>The VFM profiles planned budget section now contains the 2015/16 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 2015. The profiles can be accessed through the PSAA's homepage at http://www.psa.co.uk/</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"> ■ Inequality gap (2012/13) ■ Fuel poverty (2013) ■ Climate change (2013) ■ Alcohol related admissions (2013/14) ■ Mid-year population estimates (2014) ■ Chlamydia testing (2014) ■ Participation in education or work-based learning (2014) ■ Housing benefit speed of processing (2014/15) ■ CT and NNDR collection rates (2014/15) ■ NHS health checks (2014/15) ■ Planning applications (Quarter 4 2014/15) ■ Delayed transfers of care (Quarter 1 2015) ■ Under 5 provision (2015)



cutting through complexity

Appendix

Appendix 1 – 2015/16 Audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2015	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2016	TBC
Interim			
Interim report (if required)	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 VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	April 2016	TBC
Substantive procedures			
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 value for money arrangements.	September 2016	TBC
Completion			
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).	September 2016	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2016	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2016	TBC



cutting through complexity

© 2016 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.