



Technical update

Incorporating the External Audit Progress Report





North East Derbyshire District Council

January 2017

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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 information



External audit progress report

External audit 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	<p>We have concluded our work on the 2015/16 financial statements audit. We have held a debrief meeting with the Chief Accountant, the results of which will feed into our planning and risk assessment procedures for the 2016/17 audit.</p> <p>We will be holding meetings with key officers of the Authority to identify key issues that will contribute to our planning approach and further discussions with the Finance team. Following this we will issue our External Audit Plan for 2016/17 which will be presented to Audit Committee.</p>
Value for Money	<p>We have concluded our work in relation to the Value for Money conclusion for 2015/16.</p> <p>As part of our planning process we will be undertaking a risk assessment in relation to our Value for Money conclusion for 2016/17. We will be discussing our approach with key officers of the Authority and the results of this work will be reported in our External Audit Plan for 2016/17.</p>
Certification of claims and returns	<p>We have concluded our work in relation to certifying the Authority’s Housing Benefit Subsidy grant claim and the Pooling of Housing Capital Receipts Return.</p> <p>Delays in receiving the completed workbooks in respect of the Housing Benefit Subsidy grant meant that the final certified claim form was submitted after the 30 November deadline on 12 December.</p>



KPMG resources

Inspiring innovative government

@gov is a government-focused digital magazine hosted on kpmg.com. Fresh content is added to *@gov* on a monthly basis and printable digest versions are produced twice annually. Each edition examines a new theme, the first of which is *Transforming government in the age of technology*.

This first edition contains a range of articles, which include articles on:

- establishing digital identities for citizens;
- government data sharing;
- the public policy imperatives of autonomous vehicles; and
- innovations in human service delivery.

The magazine can be downloaded as a PDF from kpmg.com/atgov

Chief Accountant training events

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 designed for Chief Accountants and similar staff who will be involved in and responsible for the 2016/17 close down and statement of accounts.

The workshops will be led by our regional local government audit teams supported by our national local government technical lead Greg McIntosh.

Dates for the workshops are as follows:

- Leicester – 31 January 2017 (9:30am – 1:00pm)
- Bristol – 1 February 2017 (9:30am – 1:00pm)
- London (Canary Wharf) – 1 February 2017 (9:30am – 1:00pm)
- Preston – 9 February 2017 (9:30am – 1:00pm)
- Leeds – 15 February 2017 (1:30pm – 5:00pm)

For more information, please contact Kay Meats at kay.meats@kpmg.co.uk.



Technical developments

NAO Report on Capital Expenditure and Resourcing

Level of impact: ● (Low)	KPMG perspective
<p>Committee members may wish to be aware that the National Audit Office has published its report <i>Financial Sustainability of Local Authorities: Capital Expenditure and Resourcing</i>. This report found that local authorities in England have maintained their overall capital spending levels but face pressure to meet debt servicing costs and to maintain investment levels in their existing asset bases.</p> <p>The report can be accessed via the NAO website at www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/</p>	<p><i>The Committee may wish to seek assurances that the impact for their Authority is understood.</i></p>

PSAA's Value For Money Tool

Level of impact: ● (Low)	KPMG perspective
<p>The PSAA's Value for Money Profiles tool (VFM Profiles) was updated on 3 October 2016.</p> <p>The VFM profiles have also been updated with the latest available data from the following sources:</p> <ul style="list-style-type: none">— General fund revenue account budget (RA) (2016/17)— Child and working tax credit statistics (2014/15)— Children in low-income families local measure (2015)— Chlamydia testing activity dataset (CTAD) (2015)— Climate change statistics: CO2 emissions (2014)— Collection rates for council tax and non-domestic rates in England (2015/16)— Council tax demands and precepts statistics (2016/17)— Fuel poverty sub-regional statistics (2014)— Homelessness statistical release (P1E) (2015/16)— Housing benefit speed of processing (2015/16)— Mid-year population estimates (2015)— NHS health check data (2015/16)— Planning applications (2015/16)— Schools, pupils and their characteristics (2015/16)— Young people from low income backgrounds progressing to higher education (2013/14) <p>The Value For Money Profiles can be accessed via the PSAA website at http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing</p>	<p><i>The Committee may wish to seek further understanding where their area appears to be an outlier (note that some relate to services provided by other public bodies or to general information).</i></p>

Local government licensing fees

Level of impact: ● (Low)	KPMG perspective
<p>Following referral from the Supreme Court of the United Kingdom, Advocate General Wathelet has given his opinion on the lawfulness of licence fees in a case involving Westminster City Council.</p> <p>The fee, which was for the grant or renewal of a 'sex establishment' licence in the City of Westminster, was made up of two parts:</p> <ul style="list-style-type: none">— Part A related to the administration of the application (which is nonreturnable if the application is refused); and— Part B (much higher) related to the management and enforcement of the licensing regime, which is refundable if the application is refused. <p>The Supreme Court had asked the Court of Justice of the European Union (CJEU) whether Part B constituted a "charge", which was therefore prohibited by Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market ("the Services Directive").</p> <p>Advocate General Wathelet recommended a finding to the CJEU that the Services Directive must be interpreted as precluding Westminster from taking into account, when calculating the fee due for the grant or renewal of an authorisation, the cost of managing and enforcing the authorisation scheme (part B), even if the part corresponding to that cost is refundable where the application for the grant or renewal of the authorisation in question is refused.</p>	<p><i>The Committee may wish to seek assurance that the Authority has considered this judgement and has taken action to ensure that its licencing fees are calculated in an appropriate manner.</i></p>

CIPFA publication on understanding the financial statements

Level of impact: ● (Low)	KPMG perspective
<p>CIPFA has published a new report titled <i>Understanding Local Authority Financial Statements</i>. This is an update of its previous publication <i>How to Tell the Story</i>.</p> <p>The report can be found on the CIPFA/LASAAC pages of the CIPFA website at www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/simplification-and-streamlining-the-presentation-of-local-authority-financial-statements</p> <p>Further to this report, CIPFA/LASAAC undertook a consultation on proposals for the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom. The headline changes were:</p> <ul style="list-style-type: none">— a new principles-based approach to narrative reporting.— a review of the Code's provisions on going concern reporting.— a review of accounting policies provisions in the Code.— new disclosure on transaction costs for pension fund investments.— narrow scope amendments to International Financial Reporting Standards.— legislative changes.— a new appendix including the provisions for the Code's adoption of IFRS 9 Financial Instruments (note this new appendix will apply to the 2018/19 financial statements).— a new appendix including provisions for the Code's adoption of IFRS 15 Revenue from Contracts with Customers (note this new appendix will apply to the 2018/19 financial statements). <p>The details of the consultation can be found at www.cipfa.org/policy-and-guidance/consultations-archive/201718-code-of-practice-on-local-authority-accounting-in-the-united-kingdom-invitation-to-comment</p>	<p><i>The Committee may wish to review the CIPFA report and seek assurance that officers are aware of the consultation on the 2017/18 changes.</i></p>

NAO report – Children in need of help or protection

Level of impact: ● (Low)	KPMG perspective
<p>In October 2016 the NAO published a report entitled <i>Children in need of help or protection</i> which may be of interest to members.</p> <p>The report finds that the actions taken by the Department for Education since 2010 to improve the quality of help and protection services delivered by local authorities for children have not yet resulted in services being of good enough quality. NAO analysis found that spending on children’s social work, including on child protection, varies widely across England and is not related to quality. Neither the Department for Education nor authorities understand why spending varies.</p> <p>The report finds that nationally the quality of help and protection for children is unsatisfactory and inconsistent, suggesting systemic rather than just local failure. Ofsted has found that almost 80% of authorities it has inspected since 2013 are not yet providing services rated as Good to help or protect children. Good performance is not related to levels of deprivation, region, numbers of children or the amount spent on children in need. Ofsted will not complete the current inspection cycle until the end of 2017, a year later than originally planned. The Department does not therefore have up-to-date assurance on the quality of services for 32% of local authorities.</p> <p>The report also notes that children in different parts of the country do not get the same access to help or protection, finding that thresholds for accessing services were not always well understood or applied by local partners such as the police and health services. In Ofsted’s view some local thresholds were set too high or low, leading to inappropriate referrals or children left at risk. In the year ending 31 March 2015 there were very wide variations between local authorities in the rates of referrals accepted, re-referrals, children in need and repeat child protection plans.</p> <p>The report is available from the NAO website at www.nao.org.uk/report/children-in-need-of-help-or-protection/</p>	<p><i>This report may be of interest to the Committee in the context of services provided by other public bodies to its population.</i></p>



Appendix

Appendix 1

2016/17 audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2016	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	February 2017	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 Authority's value for money arrangements.	July 2017	TBC

Appendix 1

2016/17 audit deliverables (cont.)

Deliverable	Purpose	Timing	Status
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).	July 2017	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2017	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	October 2017	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 in 2015/16.	January 2017	Complete



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