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# External audit progress report and technical update

Barnsley MBC

November 2013



# External audit progress report and technical update – September 2013

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.

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# Progress report





## External audit progress report – November 2013

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 audit of the 2012/13 financial statements, and presented our ISA260 report to this committee and Full Council. We issued a clear audit opinion on 27 September.</p> <p>On 16 September 2013 we received an objection to an item of account in the 2012/13 financial statements from a Barnsley elector. Until I have determined my approach and response to this objection I will be unable to close the audit and issue my certificate of completion.</p>
Value for Money	<p>We have concluded our audit of the Council's arrangements to secure Value for Money in 2012/13 and presented our ISA260 report to this committee and Full Council. We issued a clear value for money conclusion on 27 September.</p>
Certification of claims and returns	<p>We are currently auditing the 2012/13 grant claims which require our certification. We have agreed an audit plan with the Council and expect to complete all claims to deadline. We will report the findings from this work to the Audit Committee in the new year.</p>
Other work	<p>We have been commissioned by Financial Services to provide advice on the tax implications of alternative methods of service provision. We are currently agreeing the report and have then agreed to provide training to key officers within the Council.</p>
Technical update	<p>We introduced a technical update to our Progress report for the September Audit Committee. The Council has responded to the issues raised that required action, outlining their approach.</p> <p>We have included this response for your information in this technical update. We will then refresh the technical update for the next committee.</p>



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# Technical update

## Technical update


Area	Level of Impact	Comments
<p>Local Government Finance Settlement 2014-15 and 2015-16 consultation (DCLG)</p>	<p>● High</p>	<p>The new business rates retention system was introduced on 1 April 2013. It provides a strong incentive for local authorities to change their behaviours and promote growth, whilst ensuring that all local authorities have adequate resources to provide services to local people. It gives local authorities every possible reason to use the influence they have over planning, investment in skills and infrastructure and their relationship with local businesses to create the right conditions for local economic growth.</p> <p>On 25 July 2013, the Department for Communities and Local Government (DCLG) issued its technical consultation on the 2014-15 and 2015-16 Local Government Finance Settlement. The consultation seeks views on a range of detailed and technical issues and will be of particular interest to local authority finance departments.</p> <p>The Government published the illustrative 2014-15 Local Government Finance Settlement on 4 February 2013. Since its publication, the Government announced in the 2013 Budget that a reduction of 1% would be made from the local government spending control total. Section 2 of the consultation covers changes to the illustrative 2014-15 Local Government Finance Settlement as a result of the announcement. It also proposes an increase in the amount needed to be held back to ensure sufficient funding for safety net payments to local authorities.</p> <p>For 2015-16 the Spending Round announced a range of measures to support councils in delivering better outcomes with fewer resources. Taking into account sources of local government funding such as council tax and business rates, the Spending Round set out an overall local government spending reduction of 2.3%. In order to aid stability and certainty for authorities and to help them plan for the transformation of their services, the Government intends to publish illustrative 2015-16 allocations alongside the 2014-15 settlement later this year. Section 3 of the consultation covers the 2015-16 control total for Revenue Support Grant, together with the methodology the Government intends to use to calculate Revenue Support Grant in 2015-16.</p> <p><u>This consultation will run for ten weeks from 25 July 2013 to 5pm on 2 October 2013.</u></p> <p><i>We would encourage the audit committee to obtain assurance that the Council has contributed towards the consultation process</i></p> <p><i>Council response: The Council submitted its consultation response to Government on the 2<sup>nd</sup> October 2013 (see ).</i></p>

Microsoft Word Document



Area	Level of impact	Comments
<p>Proposals for the use of capital receipts from asset sales to invest in reforming services</p>	<p>● Low</p>	<p>The Department of Communities and Local Government (DCLG) has commenced a consultation on proposals to allow local authorities some flexibility to use receipts from asset sales to pay for one-off revenue costs of service reforms. The consultation explores options for introducing flexibilities to help support organisational change for local authorities, and asks local authorities for views and suggestions.</p> <p>The consultation closes on 26 September.</p> <p> <b>Council response:</b> The Council contributed to the attached SIGOMA consultation <b>Microsoft Word</b> <b>7 - 2003 Document</b></p>
<p>Austerity and beyond: A local government discussion paper (CIPFA)</p>	<p>● For information</p>	<p>This paper is the first step in a project by CIPFA to promote debate on the future shape and operations of local government. It will be followed by a formal consultation culminating in a 'think piece' that will set out its vision for the future.</p> <p>At this stage CIPFA are seeking comments on whether the 'thought starters' set out in this paper are the correct questions to ask and any initial thoughts on the answers. CIPFA would also welcome comments on whether there are opportunities for local government that have been missed. Comments and input will help inform the consultation paper to be published later this year.</p> <p>A copy of the paper can be obtained <a href="#">here</a></p>
<p>The local impacts of welfare reform (LGA report)</p>	<p>● For information</p>	<p>On 12 August 2013, the Local Government Association (LGA) published a report on the local impacts of welfare reform. According to the LGA, the Government's welfare reforms represent the most fundamental changes to the benefits system in a generation. However while the scale and impact of individual reforms have been documented and are generally understood, there have been no systematic attempts to understand the cumulative impacts of all of the Government's reforms, and claimants' and local areas' ability to deal with them. This research seeks to contribute to addressing these gaps in the evidence base.</p> <p>The analysis, commissioned by the Local Government Association (LGA), seeks to describe the cumulative impact of all major reforms to benefits announced since the Coalition Government took office in May 2010, including Universal Credit. For each welfare reform, the LGA has apportioned to local authority level the Government's most recent or final estimate of the fiscal impact of that measure. The analysis focuses on impacts for England and English Local authorities, covering £11.8 billion in projected savings in 2015/16.</p>
<p>National Fraud Initiative</p>	<p>● For information</p>	<p>The Government has announced that the Audit Commission's National Fraud Initiative (NFI) is going to transfer to the Cabinet Office when the Commission closes in March 2015. The NFI will become part of the Efficiency and Reform Group – a joint Cabinet Office and Treasury initiative which has led a programme to drive savings across government departments. The Audit Commission has welcomed the announcement, and the commitment made by the Cabinet Office to the future of the NFI.</p>
<p>National Audit Office (NAO) report on confidentiality clauses and special severance payments</p>	<p>● For information</p>	<p>The NAO published a report on 21 June on its review of confidentiality clauses and special severance payments in the public sector. The report found there is a lack of transparency, consistency and accountability in the use of compromise agreements in the public sector and little is being done to change this. The report concludes this is unacceptable because the imbalance of power between the employer and employee leaves the system open to abuse and poor performance or working practices can be hidden from view so lessons are not learned, and significant sums of public money are at stake.</p>



Area	Level of impact	Comments
<p>Audit Commission analyses cost of social care for older people in a Value for Money briefing</p>	<p>● High</p>	<p>On 18 July 2013, the Audit Commission released <i>Social care for older people: Using data from the VFM Profiles</i>, a briefing drawn from its Value for Money (VFM) Profiles. The briefing considers what influences the funding of this service and is aimed at the public and those interested in local government.</p> <p>Jeremy Newman, Chairman of the Audit Commission, said: 'We know that council spending on social care for older people is under pressure for a number of reasons. This includes reductions in government funding since 2010 – and the need to save a further 10 per cent in 2015/16 following the recent Spending Round. The number of older people is also rising and changes from The Care Bill and increased pooled budgets as announced recently will change the landscape in the medium term. We show that £465 million could have been saved in 2011/12 if outlying councils reduced their spending in line with their comparable peers. There hasn't been a more important time for councils to understand what influences their spending on social care for older people, to benchmark themselves against their peers and pinpoint areas where savings might be found.'</p> <p>The VFM Profiles show how much councils spend on different services as well as how their costs and performance compare with other similar organisations and over time. Adult social care spending is a matter for local council choice. Eighty per cent of the variation in councils' spend on older people's services is due to factors which are difficult for councils to control or influence, at least in the short term. However, 20 per cent of the variation differs for a wide variety of reasons, including many that are within the control of individual councils.</p> <p>In 2011/12, spending levels varied from £630 to £2,715 per head across all types of council. On average, London boroughs spent substantially more, and county councils, substantially less, than other types of council.</p> <p><i>The Council should review the contents of the briefing to identify how its costs and performance compares with other similar organisations and over time. If you would like further information with respect to benchmarking, opportunity assessment for cost reduction, demand management, fee structures for residential care and alternative service delivery models, please contact, David Reeson either directly at <a href="mailto:david.reeson@kpmg.co.uk">david.reeson@kpmg.co.uk</a> or contact the audit team who can put you in touch.</i></p> <p><i>Council response: Please see attached a summary of the Council's latest funding.</i></p> <p style="text-align: center;"> <b>Microsoft Word Document</b></p>
<p>Funding transfer from NHS England to social care – 2013/14</p>	<p>● For information</p>	<p>NHS England has announced that it will transfer £859 million to local authorities to allow them to support adult social care in 2013/14. The funding will be administered by the NHS England's own area teams and not clinical commissioning groups (CCGs). The funding must be used to support adult social care services in each local authority, which also has a health benefit. Health and wellbeing boards will be the forum for discussions between the NHS England area teams, CCGs and local authorities on how the funding should be spent and the outcomes expected from this investment.</p>
<p>Charging arrangements for adult social care services</p>	<p>● For information</p>	<p>The Department of Health has published updates to the Fairer Charging Policies guidance for non-residential social services and the Charging for Residential Accommodation Guide (CRAG). The former aims to help local councils which decide to charge for any non-residential social services to design reasonable and fair charging policies. It seeks to ensure greater consistency in charging policies. The latter provides statutory guidance to local authorities on how to interpret the regulations on charging for residential care and support.</p>

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Area	Level of impact	Comments
Local government spin outs (KPMG report)	<p>● Low</p>	<p>In the face of continued challenge innovative local authorities are under pressure to find ways to raise new revenue, cut costs and improve the quality of the services they deliver. One way to address this is to spin-out a competitive local government service-line, creating a new venture which can be either publicly or privately owned.</p> <p>KPMG has produced a Guide to Local Government Spin-Outs for local authorities grappling with the challenge of improving the financial value of the services they deliver. It offers practical steps for exploring and creating alternative delivery models including: what to spin-out into; the two-stage 'incubator' approach; the set-free stage; and the one stage spin-out.</p> <p>A copy of the report can be obtained here: <a href="http://www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Documents/PDF/Market%20Sector/Public_Sector/local_government_spin-outs_web_v3.pdf">http://www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Documents/PDF/Market%20Sector/Public_Sector/local_government_spin-outs_web_v3.pdf</a></p> <p><i>If you would like to discuss this report in more detail please contact a member of your audit team.</i></p> <p><i>The Council has introduced a framework for all services to consider alternative service delivery models. This 4 stage framework was approved by Cabinet in July. A number of services have already worked through the framework to identify an alternative service delivery model (e.g. HR will be operating some services out of a wholly owned local authority trading company (LATC)) whilst others are currently working their way through the framework to identify potential options. The Council has also procured some specialist tax advice to support it in setting up these various delivery vehicles.</i></p>
Barnet Council wins challenge of outsourcing model	<p>● For information</p>	<p>The London Borough of Barnet has successfully defended an appeal against a High Court decision on the outsourcing of public services. This is a landmark case on the issue and has been closely monitored for the implications it will have on local government and the outsourcing market and the commissioning council model.</p> <p>The London Borough of Barnet's proposals to save £150 million over 10 years by outsourcing £32 million per annum of back office services to Capita and, separately, development and regulatory services, were challenged on three grounds:</p> <ul style="list-style-type: none"> <li>➢ Failure to comply with statutory and other obligations in relation to consultation.</li> <li>➢ Breach of the Public Sector Equality Duty.</li> <li>➢ Breach of fiduciary duty to obtain value for money.</li> </ul> <p>The High Court decided that:</p> <ul style="list-style-type: none"> <li>➢ All of the grounds of challenge were out of time, save one on the Council's Equality Impact Assessment and he refused permission for judicial review accordingly;</li> <li>➢ Consultation under the Best Value legislation can be high level, and is subject to the authority's discretion but requires an authority to consult with representatives in its area on the specific issue of whether to outsource its functions;</li> <li>➢ The challenges to the Equality Impact Assessment and in relation to the fiduciary duty would have failed even if permission had been granted; and</li> <li>➢ Even if the Claimant had succeeded on the merits of the consultation claim, it did not necessarily follow that the court would have granted relief to the claimant (for example an injunction).</li> </ul> <p>The Court of Appeal judges agreed with the High Court's ruling that the case for a judicial review was out of time.</p>

## Technical update

Area	Level of Impact	Comments
Auto-enrolment	<p style="text-align: center;">● Medium</p>	<p>Auto enrolment is the legal requirement for all employers to enrol their workers into a qualifying workplace scheme if they are not already in one. Employers have to automatically enrol workers who:</p> <ul style="list-style-type: none"> <li>▪Are not already in a qualifying workplace pension scheme;</li> <li>▪Are at least 22 years old;</li> <li>▪Are below state pension age;</li> <li>▪Earn more than £8,105 a year; and</li> <li>▪Work or ordinarily work in the UK (under their contract).</li> </ul> <p>Nationally, the auto-enrolment requirements have been phased in to employers from 1 October 2012. The rules are complex and there are no exemptions for Local Government organisations despite their participation in the Local Government Pension Scheme</p> <p>Ensuring that you, as the employer, are compliant involves making certain decisions and carrying out certain duties.</p> <p>The decisions you have to make include:</p> <ul style="list-style-type: none"> <li>▪Are you going to use the Transitional Period?</li> <li>▪Are you going to use postponement and, if so, how and for which employees?</li> <li>▪What alternative qualifying scheme are you going to use for employees not eligible to join the LG Pension Scheme?</li> <li>▪Are you going to go beyond the statutory minimum communication requirements?</li> </ul> <p><i>The Council should note the requirements for auto-enrolment. If you would like further information with respect to these requirements, please contact our audit-enrolment lead, Steve Simkins either directly at <a href="mailto:steve.simkins@kpmg.co.uk">steve.simkins@kpmg.co.uk</a> / 07739 812 691 or contact your audit team who will put you in touch with the relevant specialists.</i></p> <p><i>Council response: All aspects of auto-enrolment are being dealt with internally within the Council with all deadlines having been met or on track to be delivered.</i></p>



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Area	Level of Impact	Comments
Public sector internal audit standards (CIPFA)	 Medium	<p>In April 2013, CIPFA issued Public Sector Internal Audit Standards which are available on their website (<a href="http://www.cipfa.org/Policy-and-Guidance/Standards/Public-Sector-Internal-Audit-Standards">http://www.cipfa.org/Policy-and-Guidance/Standards/Public-Sector-Internal-Audit-Standards</a>). These are based on the Institute of Internal Auditors International Professional Practices Framework and are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. The standards have been produced jointly with relevant government departments to promote cross-government consistency, and build on the current Audit Standards.</p> <p><i>The Audit Committee should obtain independent assurance that its internal audit function is complying within the new standards.</i></p>





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# Appendix



## Appendix 1 – 2013/14 Audit deliverables

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We discuss and agree each report with the Council's officers prior to publication.

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	November 2013	TBC
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2014	TBC
<b>Interim</b>			
Interim report	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.	March 2014	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 value for money arrangements.	September 2014	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).	September 2014	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2014	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2014	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.	December 2014	TBC



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