

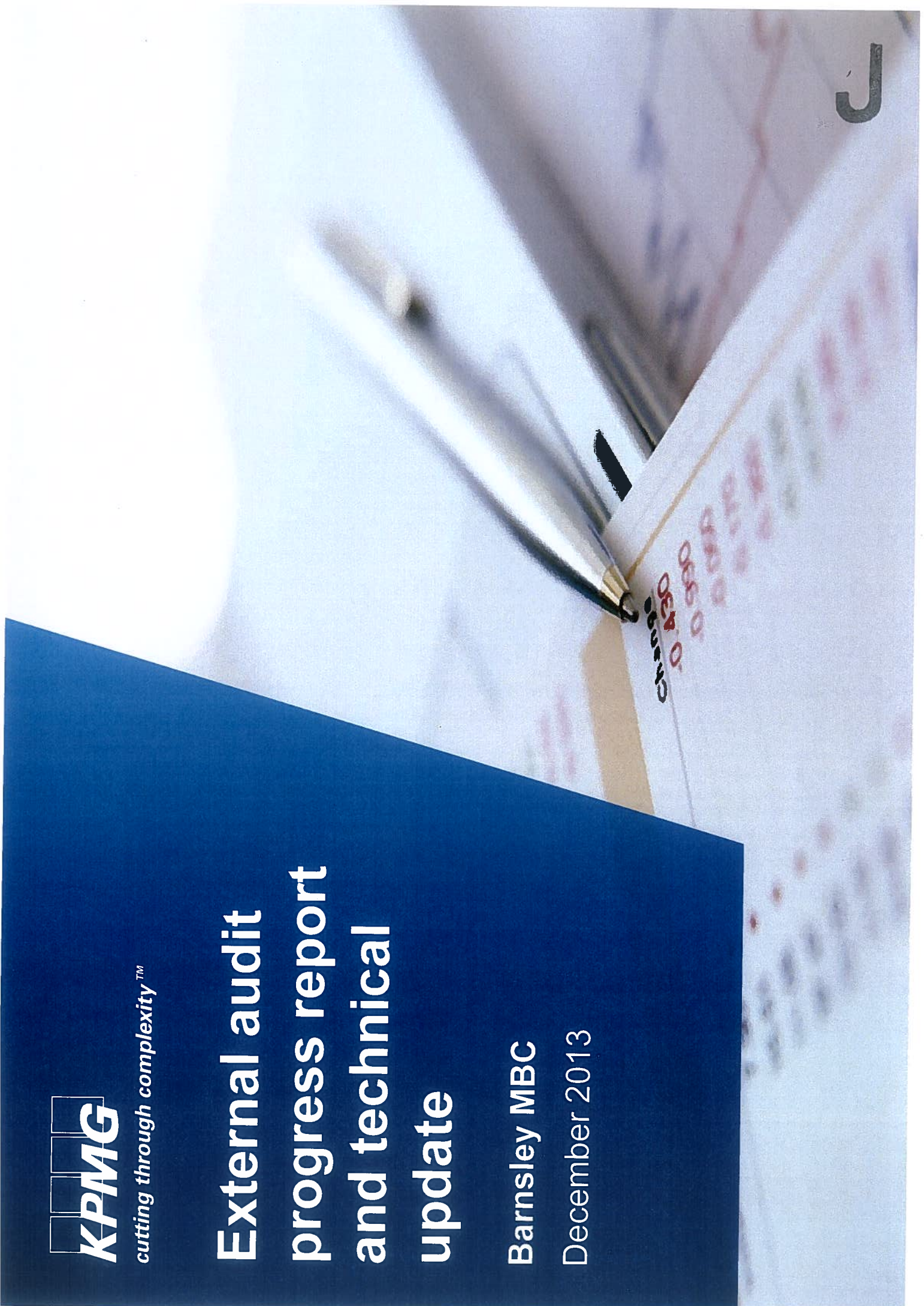


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External audit progress report and technical update

Barnsley MBC

December 2013



External audit progress report and technical update – October 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.

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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Progress report

External audit progress report – December 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
Audit planning	<p>We are undertaking our risk based audit planning for the 2013/14 audit of your financial statements and VfM conclusion.</p> <p>We intend to issue a draft audit plan to management in January 2013 and have it on the agenda for the February Audit Committee</p>
Financial statements	<p>2012/13</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> <p>We have received written responses from the Assistant Chief Executive (Legal and Governance) and have taken our own legal advice. A provisional Statement of Reasons is being drafted setting out the auditor's proposed determination. This will be discussed to the relevant parties in accordance with Audit Commission guidelines before a final Statement is issued.</p> <p>2013/14</p> <p>We are planning our audit approach. We will issue our opinion on your financial statements by 31 August 2013.</p>
Value for Money	<p>2013/14</p> <p>We are planning our audit approach. We will issue our VfM conclusion by 31 August 2013.</p>
Certification of claims and returns	<p>2012/13</p> <p>We have completed our audit of all 2012/13 grants claims which require our certification. All claims were certified to deadline. We have drafted an overall grants reports and are discussing this with management. We will report the findings from this work to the Audit Committee in January.</p> <p>2013/14</p> <p>We are agreeing an audit programme for 2013/14 claims that will need certification.</p>
Other work	<p>We have agreed terms of reference with the four South Yorkshire Authorities to undertake an independent review of the DRL project.</p>
Technical update	<p>We introduced a technical update to our Progress report for the September Audit Committee. We have updated the report for new issues that the Audit Committee needs to be aware of. We have shared this with management and will send a report incorporating their response in to Audit Committee in January.</p>



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Technical update

Area	Level of Impact	Comments	KPMG perspective
Health and social care integration funding	<p>Medium</p>	<p>On 17 October, NHS England and the Local Government Association (LGA) wrote to local authorities, clinical commissioning groups (CCGs) and health and wellbeing boards on the next steps to implementing the £3.8 billion Integrated Transformation Fund for health and social care.</p> <p>Each local area's share of a national £3.8 billion fund for health and care integration from 2015 will be based in part on how much progress councils and CCGs make in working together in 2014/15. Councils, CCGs and health and wellbeing boards will have to agree a detailed plan for joint working by February 2014 – but will face a "review of readiness" in November.</p> <p>£1 billion of the fund is tied to performance and will be awarded in two waves, the first of which will be at the beginning of the 2015/16 financial year. The award of this first sum will be based partly on performance in 2014/15 and partly on the submission of a plan for integration that meets national conditions by April 2014. The second payment will be awarded in the second half of 2015/16, and this could be done on the basis of performance in that year. However, the government, LGA and NHS England are still agreeing the detail of how this will work.</p> <p>The rest of the money will be handed to local areas using a distribution formula, which "will be subject to ministerial decisions in the coming weeks". The letter also outlines plans for a model based on sector-led improvement for local areas that are not meeting their targets for integration – but warns that organisations could lose their commissioning responsibilities if outcomes are not achieved.</p>	
Cost effectiveness of public health interventions (LGA report)	<p>Medium</p>	<p>In the 21st century, a huge burden of ill health is avoidable. About a third of all deaths are classed as premature – that is they could have been prevented by lifestyle changes undertaken at an earlier time of life. This equates to 44 years of lost life per 1,000 people, if this avoidable ill-health could be reduced the savings would be considerable. Now that local authorities are statutorily responsible for a range of public health functions including both mandated and non-mandated services, councils will need to consider how best they can spend the public health ring-fenced budget to maximise cost effectiveness and improve health outcomes for local children, young people and adults.</p> <p>This briefing for councillors and officers explains the importance of assessing value for money, it contains case studies, top tips and further resources to help local authorities fulfil their public health responsibilities –</p> <p style="text-align: center;">More information can be found at Appendix A</p>	
Charging brings in more income than council tax for one in five councils (Audit Commission report)	<p>Low</p>	<p>The Audit Commission has published 'Income charging': Using data from the VFM Profiles, September 2013', a briefing drawn from its Value for Money (VFM) Profiles. The briefing presents the Commission's analysis of the £10.2 billion that English councils raised through charging for services in 2011/12.</p> <p>Charging in 2011/12 funded 9 per cent of single-tier and county councils' overall expenditure, and 20 per cent of district councils. Although nationally the total income from charging was less than half the amount raised through council tax in 2011/12, at the local level it exceed council tax in one in three (32 per cent) district councils and one in five (21 per cent) London boroughs.</p>	

Area	Level of Impact	Comments	KPMG perspective
Proposed work programme and scales of fees 2014/15	<p>● Low</p>	<p>The Audit Commission is consulting on its 2014/15 proposed work programme and scales of fees. The Commission does not plan to make any changes to the work programme for 2014/15. They are therefore proposing that scale audit fees are set at the same level as the fees applicable for 2013/14, thus locking in the 40 per cent reduction made to fees from 2012. They will publish the final work programme and scales of fees for 2014/15 in March 2014.</p> <p>The Audit Commission are inviting comments on the proposed work programme and scale fees by email by Friday 10 January 2014 to workandfeesconsultation@audit-commission.gsi.gov.uk</p> <p>More information can be found at Appendix B</p>	<p>We would encourage the audit committee to obtain assurance that the Council has contributed towards the consultation process</p>
Protecting the Public Purse (Audit Commission report)	<p>● Low</p>	<p>On 14 November 2013 the Commission will publish <i>Protecting the Public Purse 2013 (PPP 2013)</i>. PPP 2013 is for those responsible for governance in local government. PPP 2013 includes:</p> <ul style="list-style-type: none"> ▪ the scale and value of fraud detected by local government bodies in 2012/13; ▪ trends in housing tenancy and council tax discount fraud; ▪ trends and threats in other significant fraud types; and ▪ national developments impacting on local government counter-fraud. <p>In addition, PPP 2013:</p> <ul style="list-style-type: none"> ▪ gives details of detected frauds and losses by region; ▪ updates our checklist for those responsible for governance; and ▪ introduces a programme of individual fraud briefings for councils. <p>In support of PPP 2013, and as discussed with the Local Government Auditors' Group (LGAG), the Commission is developing fraud briefings that will be individually tailored presentations for London boroughs, metropolitan and unitary authorities, county councils and district councils. Fraud briefings will contain comparative information on each council's fraud detection results and we will make these available to support auditors' communications with those responsible for governance in each council.</p>	<p>If you would like to receive the fraud briefings at the Authority, please contact a member of your audit team.</p>
£1.2 billion owed to councils in uncollected business rates (Audit Commission report)	<p>● Low</p>	<p>The Audit Commission has published a briefing, drawn from its Value for Money (VFM) Profiles Tool, 'Business rates: using data from the VFM Profiles, October 2013'. The briefing presents the Commission's analysis of English councils' collection rates and costs of collecting business rates.</p> <p>The Commission found that in 2012/13, councils collected £21.9 billion in business rates of £22.4 billion due. The amount collected by each council ranged from £1.3 million to £1.6 billion. Councils collect most business rates in the year they fall due, but business rates arrears are substantial and currently stand at £1.2 billion. As this local tax remains to be collected, it cannot currently be used to support the delivery of services. In 2012/13, the uncollected in-year amount was £513 million.</p> <p>In April 2013, the government introduced a business rates retention scheme. Councils will now be able to keep up to half of the business rates income they collect, rather than – as previously – paying it all into a 'national pool'. So, from 2013/14, a council's income will be directly affected by the business rates it collects. These new arrangements mean that it has never been more important for councils to understand their local economy and associated business rates, the timeliness of their collection and outstanding arrears, and whether their approach to collection is cost effective.</p>	

Area	Level of Impact	Comments
Audit Commission VFM Profile update	<ul style="list-style-type: none"> ● For information 	<p>The Commission's value for money profiles tool will be updated on Thursday 7 November. The profiles bring together data about the costs, performance and activity of local councils and fire authorities. The data are displayed under sections that give an overview of the chosen organisation and the services it delivers.</p>
Proposals for the use of capital receipts from asset sales to invest in reforming services	<ul style="list-style-type: none"> ● For information 	<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 closed on 26 September.</p>



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Appendix 1

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
Planning			
Fee letter	Communicate indicative fee for the audit year	December 2013	TBC
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2014	TBC
Interim			
Interim report – if needed	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
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 2014	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 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
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 2014	TBC



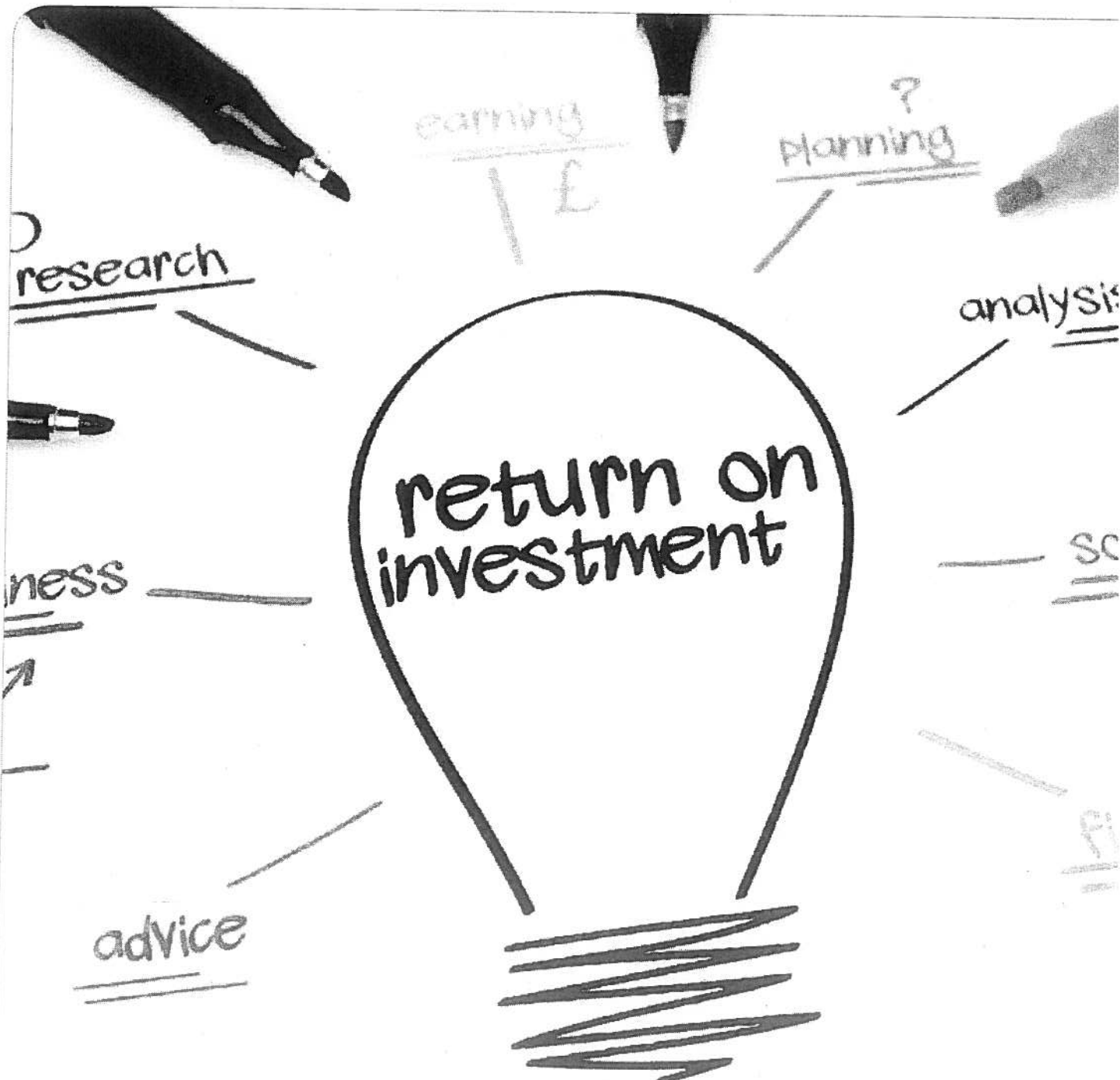
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Money well spent?

Assessing the cost effectiveness and return on investment of public health interventions



This briefing for councillors and officers explains the importance of assessing value for money in helping local authorities fulfil their public health responsibilities.

Introduction

US statesman and scientist Benjamin Franklin once said “an ounce of prevention is worth a pound of cure”.

That, in a nutshell, sums up what public health is about – and the potential it has for achieving value for money.

In the 21st century, a huge burden of ill-health is avoidable.

About a third of all deaths are classed as premature – that is they could have been prevented by lifestyle changes undertaken at an earlier time of life.

That equates to 44 years of lost life per 1,000 people or 2.6 million years each year across England and Wales.

The main causes of these are smoking, lack of physical activity, obesity and alcohol misuse.

But when considering the cost of that illness it is not just the bill for the treatment and care that should be taken into account.

The economic consequences of premature death and preventable illness are considerable too.

These can include loss of productivity in the workplace and the cost of crime and anti-social behaviour.

For example, Dame Carol Black’s review of the health of the working-age population in 2008 estimated that the annual cost of sickness absence was over £100 billion a year.

Meanwhile, alcohol-related crime accounts for about 1m violent offences each year - half of the overall total.

If this avoidable ill-health could be reduced the savings would be considerable.

However, the funds available for prevention are limited. Local government has been given £2.7 billion this year – rising to £2.8 billion in 2014-15 – as a ring-fenced public health budget.

So any spending in this area needs to be clearly justified on cost-effectiveness grounds.

Local government's role

Responsibility for public health transferred from the NHS to local authorities in April 2013 under the wider shake-up of the health service. It means upper tier and unitary authorities have become responsible for improving the health of their population.

The new duty is backed by a ring-fenced public health grant and a specialist public health team, led by the director of public health. Each top tier and unitary authority has a health and wellbeing board (HWB) which has strategic influence over commissioning decisions across health, social care and public health. Statutory board members include a locally elected councillor, a Healthwatch representative, a representative of a clinical commissioning group, a director of adult social care, a director of children's services and a director of public health.

HWB members from across local government and the health and care system work together to identify local needs, improve the health and wellbeing of their local population and reduce health inequalities.

The HWB is a key forum for encouraging commissioners from the NHS, councils and wider partners to work in a more joined up way. Central to achieving this is the HWB's responsibility for producing a Joint Strategic Needs Assessment (JSNA) and a Joint Health and Wellbeing Strategy (JHWS).

Local authorities will also have a statutory function to provide public health advice to clinical commissioning groups, while HWBs will have to monitor performance.

In terms of cost-effectiveness, this requires local authorities to provide advice to local partners about what works as well as prioritising spending on their own public health initiatives.

Under the reforms local government is responsible for commissioning a whole range of public health interventions, including smoking cessation, alcohol and drug misuse services, programmes to tackle obesity, behavioural and lifestyle campaigns and many sexual health services.

From April 2015, public health services for under 5s including family nurse partnerships and health visiting will also become their responsibility. This will enable public health services for 0-19 years old to be joined up.

Some of these interventions are mandatory, but many are discretionary interventions and therefore require councils to make informed decisions about what is the best way to spend money.

How is the cost-effectiveness of public health interventions judged?

The National Institute for Health and Care Excellence has been responsible for assessing public health interventions since 2005.

Up to 2012 it principally based its calculation on a method known as cost-utility analysis. This considers someone's quality of life and the length of life they will gain as a result of an intervention.

The health benefits are expressed as Quality-Adjusted Life Years (QALYs) – or years of good health in lay terms.

As it does with drug treatments, NICE works on the basis that interventions costing less than £20,000 per QALY are cost effective. Those costing between £20,000 and £30,000 per QALY may be deemed cost effective under certain circumstances.

However, NICE has now further refined its approach to produce a more wide-ranging assessment process for public health.

It has done this by also placing emphasis on cost-consequences and cost-benefit analyses.

These methods consider all the health and non-health benefits of an intervention across different sectors. It includes direct costs, including health, care and transportation, indirect costs, such as productivity losses and criminal justice expenditure, and intangible costs related to improvements to an individual's quality of life.

Case study

To illustrate the costs and benefits of public health interventions, NICE ran an analysis with Bury MBC to assess its range of smoking interventions using a dedicated tobacco return on investment tool.

Smoking rates in the Lancashire town are slightly above the national average at 23 per cent. It is estimated that smoking costs the town £10.7 million a year once the cost to the local economy and NHS is taken into account.

The analysis showed investment of just over £750,000 in smoking interventions for one year leads to a return of 63p over two years, £1.46 over five, £2.82 over 10 and £9.35 over a lifetime.

In terms of QALYs, this equates to £34,199 per QALY over two years, £12,574 per QALY over five, £5,040 per QALY over 10 and £80 per QALY over a lifetime.

Cost-consequences results in a balance sheet of outcomes that can be weighed against the costs, while cost-benefit converts them into a single monetary value.

But there are also a host of other variables that need to be considered when carrying out these assessments.

One is the timeframe over which the analysis is to be done. The nature of public health interventions means quite often the benefits are only realised over the medium to long-term – and, as such, this can have a significant bearing on the results.

Another factor that needs to be weighed up is what priority should be given to addressing health inequalities. This was demonstrated by an exercise carried out by Health England which assessed cost-effectiveness alongside reach.

Its 2009 report *Prioritising Investments in Public Health* looked at a range of measures. Using cost-utility calculations, mass media campaigns were four times more effective than getting GPs to discuss problem drinking with patients. But the GP intervention was nearly twice as good at reaching out to the most disadvantaged groups.

Case study

Be Active is Birmingham City Council's scheme to provide free leisure services to its residents.

Participants register and are given a card which allows them to use a range of facilities from swimming pools and gyms to exercise classes and badminton courts for free during certain times.

A third of the local population has got involved since the project was launched in 2008.

But to help it build a business case the council asked Birmingham University to evaluate the project.

The research showed that three quarters of users were not previously members of a leisure centre, gym or swimming pool and half were overweight or obese. It also had a knock-on effect in other areas with rises seen in the numbers seeking help over smoking and alcohol.

Overall, for every £1 spent on the scheme £23 is estimated to have been recouped in health benefits. This has helped the team behind the project put the case for its continued funding.

What works?

Last year a team from NICE analysed 200 public health interventions ranging from smoking cessation to exercise on prescription.

Their effectiveness was compared against a control. This included measures such as the background quit rate for smoking interventions, standard treatments or in some cases no intervention at all.

Thirty were found to be cost-saving, 141 were deemed good value for money – in other words they cost less than £20,000 per QALY - while seven fell into the £20,000 to £30,000 per QALY range.

The rest were deemed not to provide value for money or to actually cost more than they saved.

Overall, NICE found the interventions aimed at a whole population, such as mass-media campaigns to promote healthy eating or legislation to reduce young people's access to cigarettes, were the most cost effective.

Many of the interventions targeted at disadvantaged groups, such as interventions to reduce substance misuse among vulnerable young people or to help people return to work following long-term sickness absence, were less cost-effective although still met the value for money criteria.

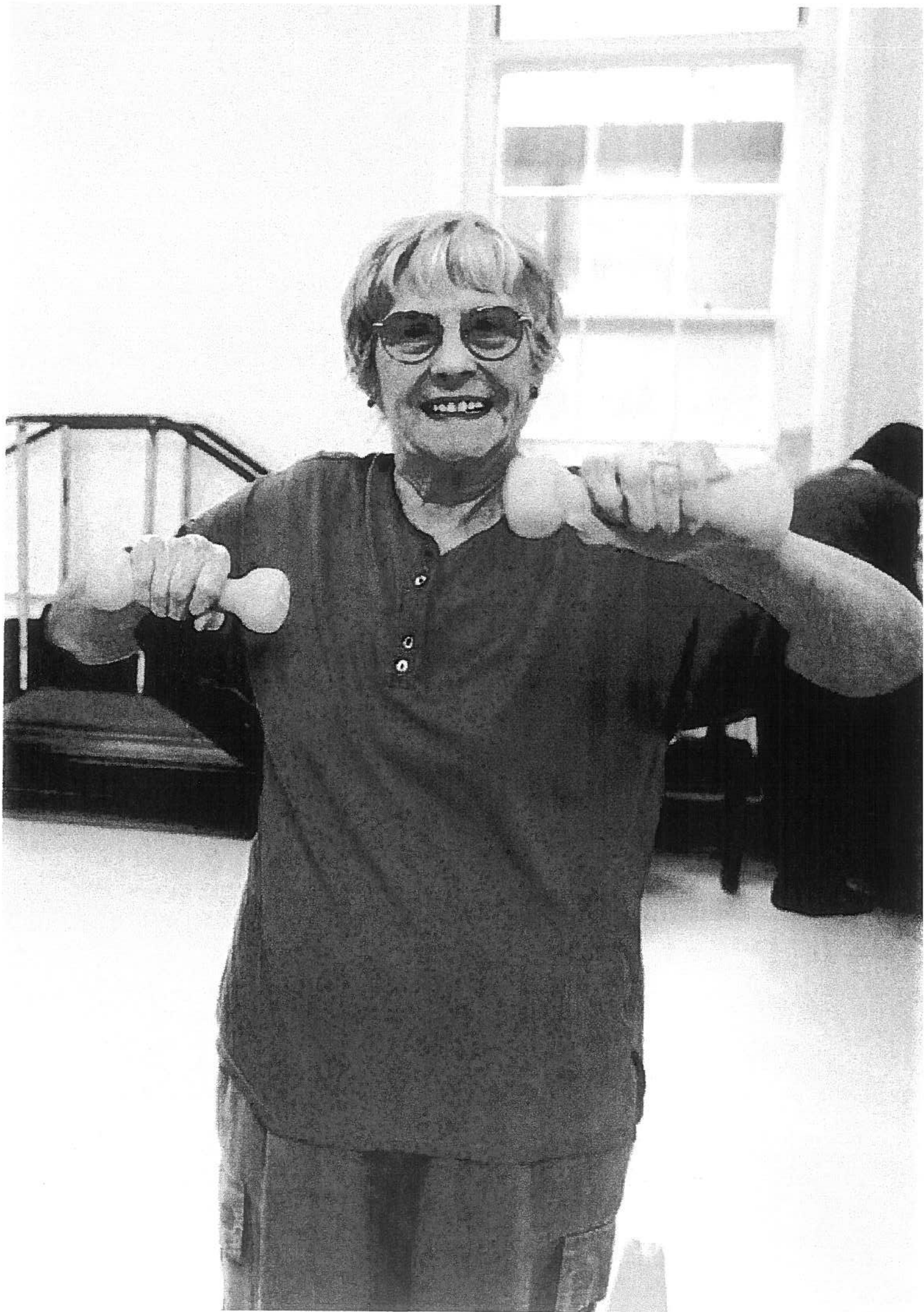
Of course, NICE is not the only organisation to have looked at the cost effectiveness of public health interventions to help local decision-makers.

For example, in 2008 the Matrix Knowledge Group and Bazian were commissioned by the Department of Health to look at the issue. They analysed 41 different programmes and highlighted several areas that should be prioritised for investment, including smoking cessation, school-based programmes for obesity prevention and falls prevention for the elderly.

Another source of evidence is the supporting documents produced by government to accompany policy papers. For example, the 2011 cross-government strategy, No Health Without Mental Health, included an economic case paper setting out the available evidence on a host of interventions.

It cited research which showed alcohol screening and counselling by GPs had the potential to save the NHS and criminal justice system £40 million a year each, while parenting interventions aimed at those most at risk were estimated to save £9,288 a child over 25 years.

Meanwhile, the Public Health Interventions Cost Effectiveness Database includes data from the UK and abroad.



Case study

It is important to think outside the confines of addressing direct health needs – as the work of St Mungo's and the local authorities the group partners shows with homeless people. Many homeless people suffer from health problems – one in 10 have drug, drink or mental health problems while two thirds have a physical health condition.

Take the case of Mark (not his real name). He was moved into a St Mungo's hostel from a psychiatric hospital, which was costing the taxpayer over £84,000 a year. He had diabetes and was frequently admitted to hospital. At the hostel he got care and was given help to get his diabetes under control. He also started exercising regularly and within two years had got his own flat. The cost to the taxpayer afterwards was just over £21,000, including his pension. The two years of help cost in excess of £80,000, meaning the intervention paid for itself in just over a year.

Is enough being invested in public health?

Many experts would argue not as early intervention can help reduce the long-term cost on hard-pressed health and care services.

A strong case was put for investing more in public health as long ago as 2002 when the Wanless Report estimated that effective public health policy which led to high levels of public engagement in terms of their health could be saving the NHS £30 billion a year by 2022-23.

But despite the warning little seems to have changed. Calculating public health expenditure over the past decade is difficult because how much is invested has been up to local discretion until this year. However, there is widespread agreement it has remained pretty static at about 4% of the NHS budget – that is about the same as it is now once the national spending is added to the ring-fenced local government budget.

In 2007 Health England was saying that level of public health spending remained “relatively low compared to other advanced economies”, while last year the Journal of Public Health said there was insufficient investment in the area.

But it is not just for the sake of individual health that some argue public health investment needs to increase. Enabling Effective Delivery of Health and Wellbeing, an independent report which was produced by Sir Howard Bernstein, Dr Paul Cosford and Alwen Williams in 2010, made the case that extra investment could help the country prosper and flourish in light of the economic hardships being experienced.



More recently, the health regulator Monitor published a report, Closing the NHS funding gap, which said investment in public health along with greater innovation in clinical care was the key to helping keep the NHS sustainable in the long-term.

But with money so tight surely this is just wishful thinking? Not so, according to the Association of Directors of Public Health. The organisation has argued that the ring-fenced public health budget should not be seen as the totality of the money available for prevention. Instead, as everything from social care and transport to housing and leisure can have an impact the entire local government spend should be seen as a public health resource.

To help argue the case for extra investment, help is at hand. One of the key roles of Public Health England (PHE) is to support local authorities in their new public health role. While it is NICE's responsibility to carry out cost-effectiveness analyses, PHE is in the process of pulling together examples of best practice and key data to help key officers and members develop the business case for investment in public health.

How councils can prioritise public health funding

- ✓ Agree public health objectives by drawing on the JSNA and JHWS.
- ✓ Identify options and interventions for reaching objectives.
- ✓ Consider what NICE guidance and other research has to say about these.

- ✓ Work out what your priority is. Is it to reduce health inequalities or have the greatest impact on the whole population?
- ✓ Carry out own assessment – perhaps a form of cost-consequences analysis - to determine how local factors influence cost-effectiveness.
- ✓ Also consider factors such as burden of disease in population and considering the measures and interventions that are already in place.
- ✓ Ask the key questions before proceeding. Have you tailored services to address multiple needs rather than commissioning a plethora of single-issue services? Are you using new technologies to develop services that are easier and more convenient for users?
- ✓ Evaluate interventions as they are rolled out. Those that are already tried and tested will need less monitoring than new approaches.
- ✓ Ensure elected members understand the benefits of investing to save.
- ✓ Take a council wide approach across all services to address public health issues.
- ✓ Consider pooling resources across sectors to enable greater integration of services which will lead to better health and wellbeing outcomes and cost savings.

Want to know more?

NICE local government briefings on value for money

<http://tinyurl.com/oxlbycv>

<http://tinyurl.com/pvqh5sx>

Local authorities can get tailored estimates on the potential cost effectiveness of their own stop-smoking schemes using NICE's tobacco return on investment tool:

<http://tinyurl.com/8c75g9s>

Similar tools will be published in the near future for alcohol and physical activity interventions.

Journal of Public Health article on NICE research into public health interventions
<http://tinyurl.com/6rrsgvb>

Prioritising Investments in Public Health
(Matrix Knowledge Group and Bazian
2008 report)

<http://tinyurl.com/nwt54ta>

Shifting the Gravity of Spending programme
(National Institute for Health Research-
funded programme which is looking to
develop support for councils to prioritise
public health spending)

<http://tinyurl.com/nyw6ze6>

Public Health Interventions Cost
Effectiveness Database (includes
assessments carried out in the UK
and abroad)

<http://tinyurl.com/2wpm9oe>

LGA public health resources including
tackling drugs and alcohol, teenage
pregnancy, and obesity:

<http://tinyurl.com/napyup6>

LGA website www.local.gov.uk/health





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We consider requests on an individual basis.

Proposed work programme and scales of fees 2014/15

Local government and police bodies

October 2013

The Audit Commission's role is to protect the public purse.

We do this by appointing auditors to a range of local public bodies in England. We set the standards we expect auditors to meet and oversee their work. Our aim is to secure high-quality audits at the best price possible.

We use information from auditors and published data to provide authoritative, evidence-based analysis. This helps local public services to learn from one another and manage the financial challenges they face.

We also compare data across the public sector to identify where services could be open to abuse and help organisations fight fraud.

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Introduction

1 This consultation document sets out the work the Audit Commission plans to undertake at local government and police audited bodies during 2014/15, with the associated scales of audit fees and indicative certification fees. A separate consultation document covers the Commission's work programme and scales of fees at NHS bodies.

2 The consultation does not cover small bodies subject to the limited assurance regime. Fee scales for small bodies were set in April 2012 for five years and are available on the Commission's website.

3 We hope the information set out in this document is helpful to stakeholders in considering our proposals for the 2014/15 work programme and scale fees, as well as supporting audited bodies' financial planning.

Background

4 In March 2012, the Commission announced significant reductions of up to 40 per cent in audit and certification fees from 2012/13 onwards. These fee reductions were achieved as a combined result of the Commission's bulk purchasing power and internal efficiency savings.

5 When we announced the reductions, we said that we expect these lower fees to apply for five years, from 2012/13 to 2016/17, subject to annual review.

6 We plan to publish the confirmed work programme and scales of fees for 2014/15 in March 2014. We have a statutory duty to consult stakeholders before prescribing a scale of fees. We consult audited bodies themselves, where possible, as well as their representative associations, relevant government departments and the accountancy profession.

2014/15 fees

7 We do not plan to make any changes to the work programme for local government and police audited bodies for 2014/15. We therefore propose that scale audit fees are set at the same level as the fees applicable for 2013/14.

8 Fees for police bodies reflect the increase from 2012/13 in audit work arising from the changes introduced by the Police Reform and Social Responsibility Act 2011, requiring auditors to undertake audits of two statutory bodies in a police area rather than one. We will continue to keep the scales of fees for the new police bodies under review, to ensure they are consistent with auditors' local assessment of audit risks.

9 The Commission may approve variations to published scale fees and indicative certification fees for individual audited bodies, to reflect changes in circumstances or audit risks.

Fees beyond 2014/15

10 The Commission is expected to close in March 2015. The Local Audit and Accountability Bill 2013 (the Bill) provides for the closure of the Commission and the introduction of a new framework for local public audit. The Bill completed its passage in the House of Lords in July 2013, with the Commons stage due to take place in the autumn, and is likely to receive Royal Assent early in 2014.

11 The Commission's current contracts with audit suppliers run until 2016/17, with a possibility of extension for up to three years. The responsibility for overseeing these contracts is expected to pass to a transitional body from April 2015.

12 Our understanding is that the Commission will set fees for 2015/16, which will be the first year of audit following our closure. We will continue to work with officials at the Department for Communities and Local Government (DCLG) on this basis. We would expect to consult on the 2015/16 work programme and scales of fees in late 2014, and publish the confirmed scale fees in 2015 before the Commission closes.

13 The Commission is currently undertaking another audit procurement exercise, covering the contracts with audit firms that it let in 2006 and 2007. These contracts cover 30 per cent of principal bodies in the Commission's regime. Any savings achieved as a result of this procurement will be reflected in further fee reductions from 2015/16 for all principal audited bodies. An announcement on the outcome of the procurement is expected in April 2014.

Responding to this consultation

14 We welcome comments from stakeholders on the proposals contained in this document. Please send comments by email to workandfeesconsultation@audit-commission.gsi.gov.uk or to Jon Hayes, Associate Controller of Audit (Compliance), at the following address by **Friday 10 January 2014**:

Audit Commission
3rd Floor, Fry Building
2 Marsham Street
London, SW1P 4DF

Proposed work programme for 2014/15

Audit

15 Auditors tailor their work to reflect local circumstances and their assessment of audit risk. They do this by assessing the significant financial and operational risks facing the body, and the arrangements it has put in place to manage those risks.

16 Under the *Code of Audit Practice* (the Code), the Commission may specify additional audit work which supplements the local risk-based approach to planning the audit. For 2014/15, the Commission will specify work on Whole of Government Accounts (WGA).

17 The Chartered Institute for Public Finance and Accountancy (CIPFA) is consulting on proposals for changes to the 2015/16 *Code of Practice on Local Authority Accounting in the United Kingdom*. The proposals include changes to the measurement requirements for transport infrastructure assets. Because these changes may have significant practical implications, CIPFA is proposing phased implementation, with a dry run of the approach in 2014/15. Subject to confirmation following the consultation, auditors may need to undertake additional audit work on transport infrastructure assets at some audited bodies. Where the additional work cannot be accommodated within the scale fee, the auditor will need to agree a fee variation with the audited body and seek approval from the Commission.

National reports

18 In previous years, we have published our annual *Auditing the Accounts* and *Protecting the Public Purse* reports. These reports summarise, respectively, the results of auditors' work on audited bodies' financial statements and arrangements to secure value for money, and the results of our annual survey of fraud in local government. The Commission is expected to close in March 2015 and will not therefore be publishing an *Auditing the Accounts* report on the results of auditors' work on 2014/15 audits or a *Protecting the Public Purse* report.

19 Arrangements will be needed following the closure of the Commission to summarise and publish the results of audits. Central government departments are accountable to Parliament for the billions of pounds of taxpayers' money paid by them to local bodies. Departmental accountability system statements refer to the assurance that departments obtain from local external audit, and Accounting Officers will need to continue to have access to the results of audits and analysis of the outcomes, as currently published by the Commission, to enable this.

Auditors' local value for money work

20 Under the Audit Commission Act 1998, auditors must satisfy themselves about an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

21 Auditors of single-tier, county and district councils, fire and rescue authorities and police bodies will apply a risk-based approach to their local value for money (VFM) work, giving a conclusion on the arrangements in place. The approach is based on criteria specified by the Commission relating to financial resilience and prioritising resources.

22 Auditors of larger national parks authorities, waste disposal authorities, integrated transport authorities, passenger transport executives, joint committees, and other miscellaneous local government bodies will continue to apply a more tailored approach to their local VFM work. The approach is based primarily on review of the annual governance statement, and any other specific work the auditor considers necessary.

23 A VFM conclusion is not required for audited bodies with annual income or expenditure of less than £6.5 million, which are subject to limited assurance audit. This is in line with the threshold set in the Accounts and Audit (England) Regulations 2011 defining smaller relevant bodies.

24 Where a body with annual income or expenditure of less than £6.5 million elects to prepare accounts as a larger relevant body, it is subject to a full Code audit including a VFM conclusion.

25 Our website provides further [information about the VFM conclusion](#).

Certification work

26 As well as their work under the Code, appointed auditors, as agents of the Commission, certify certain claims and returns.

27 For 2014/15, we will not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors will undertake only limited tests will remain at £500,000. Above this threshold, certification work takes account of the authority's control environment for preparing the claim or return.

28 DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Commission. Subject to confirmation, we expect these new arrangements to apply to 2014/15 claims and returns and therefore the following schemes to fall outside the Commission's arrangements:

- CFB06 Pooling of housing capital receipts;
- PEN05 Teachers' pensions return;
- RG 31 Single Programme (Greater London Authority);
- TRA04 Metropolitan railway passenger services grants; and

- TRA11 Local transport plan major projects.

29 We expect that auditors will continue to certify local authority claims for housing benefit subsidy from the Department for Work and Pensions (DWP) under the arrangements developed by the Commission. The DWP has asked the Commission to prepare the auditor guidance for 2014/15. Arrangements for 2015/16 onwards are to be confirmed, but DWP envisages that auditor certification will be needed until 2016/17, when Universal Credit is expected to replace housing benefit.

Assessment and inspection work

30 Following the end of Comprehensive Area Assessment in May 2010, there is no longer any programme of mandatory inspection work. We do not envisage carrying out any inspections in 2014/15, unless specifically directed to do so.

Proposed scales of fees for 2014/15

Scales of audit fees for local government and police bodies

- 31 We have reflected the cost of the work programme in the proposed scales of fees for 2014/15. The fees are based on the scale fees applicable for 2013/14.
- 32 The proposed 2014/15 scale fee for each local government body and proposed 2014/15 scale of fee for each police body are available on our website.
- 33 The Commission has the power to determine the fee above or below the scale fee, where it considers that substantially more or less work was required than envisaged by the scale fee. The scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.
- 34 As the 2014/15 scale fees are based on the scale fee for 2013/14, they continue to reflect the auditor's assessment of audit risk and complexity. We would only expect variations from the scale fee to occur in 2014/15 where these factors are significantly different from those identified and reflected in the 2013/14 fee.
- 35 The Commission obtains updated fee information from appointed auditors, and explanations for any proposed variations from the scale fee, on a regular basis. The Commission will consider the reasonableness of the explanations provided by auditors before agreeing to any variation to the scale fee.
- 36 We will keep the scale of fees for police bodies under review to ensure they are consistent with auditors' local assessment of audit risks.
- 37 The Commission will charge fees for considering objections, from the point at which auditors accept an objection as valid, or any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998, as a variation to the scale fee.

Pension fund audits

- 38 The proposed scale fees for 2014/15 pension fund audits are the scale fees applicable for 2013/14. The proposed pension fund audit scale fee for each relevant audited body for 2014/15 is available on our website.

Certification work

39 The Audit Commission Act 1998 requires the Commission to charge fees for certification work that cover the full cost of the work.

40 We publish an indicative certification fee each year for each relevant audited body, using the latest final certification fees available. Indicative fees for 2014/15 certification work will be based on final 2012/13 certification fees, adjusted for schemes no longer requiring auditor certification in 2014/15.

41 The Commission will receive this fee information from appointed auditors in January 2014. We will therefore publish the 2014/15 indicative certification fee for each individual audited body on our website in March 2014.

42 For the purposes of this consultation, we have produced an estimated indicative fee for each body as a guideline, because we do not have the final fee information for 2012/13 yet. The estimated fees use the 2013/14 indicative certification fees, adjusted for those schemes for which we do not expect to make certification arrangements in 2014/15.

43 As indicative certification fees are based on the latest final certification fees available, they reflect the auditors' assessment of the work required. Therefore, we expect variations from the indicative fee for an audited body to occur only where issues arise that are significantly different from those identified and reflected in the previous year's fee.

44 The indicative fees for certification work are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

Inspection fees for local government bodies

45 We do not plan to undertake any inspections in 2014/15. Any risk-based inspections we are specifically directed to undertake will be charged on the basis of the fees set for 2010/11. This was the last year in which we undertook a planned programme of inspections. The 2010/11 fees are available on the archived version of our website.

Value added tax

46 All the 2014/15 fee scales exclude value added tax (VAT), which will be charged at the prevailing rate of 20 per cent on all work done.

Next steps

47 Under section 7 of the Audit Commission Act, the Commission has a statutory duty to prescribe scales of fees for the audit of accounts. Before prescribing scales of fees, the Commission is required to consult relevant representative organisations.

48 We welcome comments from stakeholders on the proposals contained in this document. Please send comments by email to workandfeesconsultation@audit-commission.gsi.gov.uk or to Jon Hayes, Associate Controller of Audit (Compliance), at the following address by **Friday 10 January 2014**:

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49 Following responses to this consultation, the Commission's Board will approve the final 2014/15 work programme and scales of fees for publication in late March 2014.

50 If you have comments or complaints about the way this consultation has been conducted, these should be sent by email to complaints@audit-commission.gsi.gov.uk.

