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# External audit progress report and technical update

**Barnsley Metropolitan  
Borough Council**

January 2016

## External audit progress report and technical update – 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					5
TECHNICAL UPDATE					
New local audit framework	<span style="color: orange;">●</span>	7	NAO report – Devolving responsibilities to cities in England: Wave 1 City Deals	<span style="color: green;">●</span>	11
The Local Government Association's 2015 Spending Review submission	<span style="color: orange;">●</span>	8	Care Act first-phase reforms – local experience of implementation	<span style="color: grey;">●</span>	12
Accounts and Audit Regulations 2015 – Narrative statements	<span style="color: green;">●</span>	9	Proposed changes to business rates and core grant	<span style="color: grey;">●</span>	12
Accounts and Audit Regulations 2015 – Exercise of public rights	<span style="color: green;">●</span>	9	Public Sector Audit Appointments Ltd (PSAA) – VFM profiles update	<span style="color: grey;">●</span>	13
Consultation on 2016/17 audit work programme and scales of fees	<span style="color: green;">●</span>	10			
APPENDIX					
Appendix 1 – 2015/16 audit deliverables					15



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# Progress report

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

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

Area of responsibility	Commentary
<b>Planning</b>	<i>Our planning for 2015/16 has commenced. We will discuss our Audit Plan with officers in January/February.</i>
<b>Financial statements</b>	<i>We will update this section as we progress the 2015/16 Interim Audit, planned for February/March 2016.</i>
<b>Value for Money</b>	<i>We will update this section as we progress the 2015/16 Interim Audit, planned for February/March 2016.</i>
<b>Certification of claims and returns</b>	<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"> <li><i>Teacher's Pensions Agency Return; and</i></li> <li><i>Pooling Housing Capital Receipts.</i></li> </ul> <p><i>We will issue a report on the certification of grant claims and returns and will present this to the next Audit Committee meeting.</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 30<sup>th</sup> November 2016.</i></p>
<b>Other work</b>	<i>No additional work has been requested that we have not already brought to the Audit Committee's attention.</i>



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# KPMG resources

Area	Comments
<b>Local Government Technical Update – February 2016</b>	<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"> <li>■ Review of 2014/15;</li> <li>■ Key Issues and developments for 2015/16;</li> <li>■ Longer term developments; and</li> <li>■ Tax and Pensions specialists.</li> </ul> <p>The events are due to take place as follows:</p> <ul style="list-style-type: none"> <li>■ Leeds – 4 February 2016</li> <li>■ Leicester – 5 February 2016</li> <li>■ Preston – 8 February 2016</li> <li>■ Birmingham – 12 February 2016</li> <li>■ London (Canary Wharf) – 22 February 2016</li> <li>■ Bristol – 24 February 2016</li> </ul> <p>For more information, please contact Linda Wild on 0113 2313512 / 07717 483538 or <a href="mailto:linda.wild@kpmg.co.uk">linda.wild@kpmg.co.uk</a></p>




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# Technical update

Area	Level of impact	Comments	KPMG perspective
<b>New local audit framework</b>	 <b>Medium</b>	<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><b>We understand guidance is being prepared by CIPFA on the request of the NAO.</b></i></p> <p><i><b>We will also be preparing a briefing note for clients.</b></i></p>






Area	Level of Impact	Comments	KPMG perspective
The Local Government Association's 2015 Spending Review submission	 Medium	<p>In June 2015, the Local Government Association (LGA) set out proposals for the Government to consider as part of the Spending Review, aimed at streamlining public services, growth generating investment and social care and health – all while saving the public purse almost £2 billion a year by the end of the Parliament.</p> <p>The submission focusses on five core issues originally highlighted in <i>A Shared Commitment</i> (<a href="http://www.local.gov.uk/documents/10180/6869714/L15-252+Spending+Review_WEB_new.pdf/3101e509-1e22-4c26-91ac-8fd8a953aba5">www.local.gov.uk/documents/10180/6869714/L15-252+Spending+Review_WEB_new.pdf/3101e509-1e22-4c26-91ac-8fd8a953aba5</a>), published in early 2015. The LGA hopes that local government can work with central government to balance the nation's books while improving public services and the local economic environment by delivering new, transformed and high-quality local services while at the same time reducing costs to the public sector.</p> <p>The LGA believes the Spending Review should:</p> <ul style="list-style-type: none"> <li>■ enable wider integration of social care and health services to deliver savings and improve outcomes This requires the annual £700 million funding gap in social care services to be closed and a transformation fund worth £2 billion in each year of the Spending Review period be created to allow new ways of working to become commonplace. The Spending Review should also implement a single place-based budget for delivering all local services through a Local Public Services Fund as part of at least five devolution deals;</li> <li>■ promote growth and productivity by accepting the case for further devolution of powers and funding that stretches beyond 25 November. The LGA is calling for devolution of, or local influence over, more than £60 billion of growth, skills and infrastructure funding over the Spending Review period, including:             <ul style="list-style-type: none"> <li>– the components for an ambitious and effective Local Growth Fund with agreed settlements in devolution deals that last until 2020/21</li> <li>– a central-local partnership to deliver effective and targeted skills and employment initiatives</li> <li>– unlocking the ability of councils to contribute to the Government's target of 275,000 affordable homes built over the lifetime of the Parliament.</li> </ul> </li> <li>■ help councils adequately resource and deliver high quality public services by transforming the business rate mechanism and providing a four year local government finance settlement; and</li> <li>■ help councils focus on driving efficiency and value for money through an assessment of the impact of unfunded cost burdens that core council budgets are going to face over the Spending Review period.</li> </ul>	<p><i>The Committee may wish to seek assurances that the impact for their Authority is understood.</i></p>

Area	Level of Impact	Comments	KPMG perspective
Accounts and Audit Regulations 2015 – Narrative statements	● Low	<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> <p>1) A Category 1 authority must prepare a narrative statement in accordance with paragraph (2) in respect of each financial year.</p> <p>2) 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.</p> <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>	<i>The Committee may wish to seek assurances that their authorities have arrangements in place to meet the new requirements</i>
Accounts and Audit Regulations 2015 – Exercise of public rights	● Low	<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>	<i>The Committee may wish to seek assurances that the necessary arrangements are in place for their Authority.</i>

Area	Level of Impact	Comments	KPMG perspective
Consultation on 2016/17 audit work programme and scales of fees	● Low	<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 <a href="http://www.psaa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/">www.psaa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/</a></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>	<i>The Committee may wish to seek assurances on how their Authority have responded to the consultation.</i>

Area	Level of Impact	Comments	KPMG perspective
<b>NAO report – Devolving responsibilities to cities in England: Wave 1 City Deals</b>	● Low	<p>Wave 1 City Deals encouraged cities to develop capacity to manage devolved funding and increased responsibility. The report finds it is too early to tell whether the deals will have any overall impact on growth, and that the government and the cities could have worked together in a more structured way to agree a consistent approach to evaluating the deals' impact. There have been early impacts from some of the individual programmes agreed in the deals. It has, however, taken longer for cities and departments to implement some of the programmes that required more innovative funding or assurance mechanisms.</p> <p>The government has set out its ambition to continue devolving responsibility for local growth to cities and other local places. The report highlights that both the government and local places can learn from the experience of Wave 1 City Deals to manage devolution to local places effectively.</p> <p>The report is available on the NAO website <a href="http://www.nao.org.uk/report/devolving-responsibilities-to-cities-in-england-wave-1-city-deals/">www.nao.org.uk/report/devolving-responsibilities-to-cities-in-england-wave-1-city-deals/</a></p>	<i><b>The Committee may wish to seek assurances how their Authority fit into the emerging City Deals.</b></i>

Area	Level of Impact	Comments
<b>Care Act first-phase reforms – local experience of implementation</b>	 <b>For Information</b>	<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 <a href="http://www.nao.org.uk/report/care-act-first-phase-reforms-local-experience-of-implementation/">www.nao.org.uk/report/care-act-first-phase-reforms-local-experience-of-implementation/</a></p>
<b>Proposed changes to business rates and core grant</b>	 <b>For Information</b>	<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
Public Sector Audit Appointments Ltd (PSAA) – VFM profiles update	 For Information	<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 <a href="http://www.psaa.co.uk/">http://www.psaa.co.uk/</a></p> <p>Other sections of the VFM profiles have also been updated with the latest data values for the following data sources:</p> <ul style="list-style-type: none"> <li>■ Inequality gap (2012/13)</li> <li>■ Fuel poverty (2013)</li> <li>■ Climate change (2013)</li> <li>■ Alcohol related admissions (2013/14)</li> <li>■ Mid-year population estimates (2014)</li> <li>■ Chlamydia testing (2014)</li> <li>■ Participation in education or work-based learning (2014)</li> <li>■ Housing benefit speed of processing (2014/15)</li> <li>■ CT and NNDR collection rates (2014/15)</li> <li>■ NHS health checks (2014/15)</li> <li>■ Planning applications (Quarter 4 2014/15)</li> <li>■ Delayed transfers of care (Quarter 1 2015)</li> <li>■ Under 5 provision (2015)</li> </ul>

# Appendix

## Appendix 1 – 2015/16 Audit deliverables

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
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
<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 2016	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 2016	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 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
<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 2016	TBC





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