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# External audit progress report and technical update

**Barnsley MBC**

March 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

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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>Audit Planning</b>	<p>We have completed our risk based audit planning for the 2015/16 audit of your financial statements and VFM conclusion.</p> <p>We have agreed the Audit Plan with management it is being presented to the Audit Committee as part of today's agenda.</p>
<b>Financial statements</b>	<p>Our interim audit on-site visit commenced in February 2016. We are currently reviewing your VFM arrangements. Once this is complete, we will report any findings from the interim visit to the Audit Committee.</p> <p>Our audit of your draft financial statements will take place during July/August 2016 and we will issue our opinion on your financial statements by 30 September 2016</p>
<b>Value for Money</b>	<p>Our work on the VFM conclusion has commenced as part of our interim audit and will conclude during our final accounts visit in July/August 2016.</p> <p>We will issue our VFM conclusion by 30 September 2016.</p>
<b>Certification of claims and returns</b>	<p>The Housing Benefit &amp; Council Tax Benefit Claim is the only grant remaining under the PSAA Ltd regime. We will discuss the timing of this audit with officers and we will report before the deadline of 30 November 2016.</p> <p>We will discuss the certification of any grants outside of the PSAA Ltd regime with officers in due course.</p>
<b>Other work</b>	<p>Our work in relation to a letter from a member of the public is ongoing. Any additional fee in relation to this will be agreed with officers and reported to the Audit Committee.</p>



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# KPMG resources

Area	Comments
<p><b>Local Government Technical Update – February 2016</b></p>	<p>We have completed our series of local government accounts workshops for key members of your finance team. The workshops were 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 were led by our regional local government audit teams supported by our national local government technical lead Greg McIntosh.</p> <p>The agenda included:</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 took 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, tel: 0113 231 3512, email: <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>Accounts and Audit Regulations 2015 – Narrative statements</b>	<p style="text-align: center;">● Low</p>	<p>Authorities will need to be aware that the <i>Accounts and Audit Regulations 2015</i> require local authorities to produce and publish a narrative statement. Section 8 of the Regulations, which apply first from the 2015/16 financial year, states:</p> <p><i>Narrative statements</i></p> <ol style="list-style-type: none"> <li>1) <i>A Category 1 authority must prepare a narrative statement in accordance with paragraph (2) in respect of each financial year.</i></li> <li>2) <i>A narrative statement prepared under paragraph (1) must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.</i></li> </ol> <p>Authorities will need to publish the narrative statement along with the financial statements. The narrative statement does not form part of the financial statements and is therefore not subject to audit. As part of their audit work however, auditors will need to review the statement for consistency with their knowledge.</p> <p>The narrative statement replaces the explanatory foreword and will need to be prepared in accordance with CIPFA/LASAAC's <i>Code of Practice on Local Authority Accounting</i> (the accounting code). The 2016/17 accounting code will contain high level principles for authorities to follow when preparing their narrative statements. The principles set out in the accounting code will also be relevant to 2015/16 and we understand that CIPFA/LASAAC is likely to publish an update to the 2015/16 accounting code to clarify this.</p>	<p><i>The Committee may wish to seek assurances that their authorities have arrangements in place to meet the new requirements</i></p>
<b>Accounts and Audit Regulations 2015 – Exercise of public rights</b>	<p style="text-align: center;">● Low</p>	<p>Authorities will be aware that the Accounts and Audit Regulations 2015 (the Regulations) set out new arrangements for the exercise of public rights from 2015/16 onwards.</p> <p>Paragraph 9(1) of the Regulations requires the responsible financial officer to commence the period for the exercise of public rights and to notify the local auditor of the date on which that period was commenced.</p> <p>Paragraph 9(2) is clear that the final approval of the statement of accounts by the authority prior to publication cannot take place <i>until after the conclusion of the period for the exercise of public rights</i>.</p> <p>As the thirty working day period for the exercise of public rights must include the first ten working days of July, this means that authorities will not be able to approve their audited accounts or publish before 15 July 2016.</p>	<p><i>The Committee may wish to seek assurances that the necessary arrangements are in place for their Authority.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p><b>Consultation on 2016/17 audit work programme and scales of fees</b></p>	<p>● Low</p>	<p>Public Sector Audit Appointments Ltd (PSAA) has published its consultation on the 2016/17 proposed work programme and scales of fees.</p> <p>The consultation sets out the work that auditors will undertake at principal audited bodies for 2016/17, with the associated scales of fees. The consultation documents, and list of individual proposed scale fees, are available on the PSAA website at <a href="http://www.psa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/">www.psa.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>	<p><i>The Committee may wish to seek assurances on how their Authority have responded to the consultation.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p><b>NAO report – Devolving responsibilities to cities in England: Wave 1 City Deals</b></p>	<p>● Low</p>	<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>	<p><i>The Committee may wish to seek assurances how their Authority fit into the emerging City Deals.</i></p>

Area	Level of Impact	Comments
<p><b>Greater Manchester Combined Authority</b></p>	<p>● <b>For Information</b></p>	<p>Greater Manchester Combined Authority (GMCA) has pioneered the concept of local devolution within England. ‘Devo Manc’ encompasses a broad range of proposals to address the challenges and opportunities GM is facing:</p> <p><b>Health and Social Care</b></p> <p>Greater Manchester is facing an estimated financial deficit of c. £2 billion by 2020/21. A Memorandum of Understanding was signed in February 2015 between all partners in GM, committing the region to produce a comprehensive Strategic and sustainable Plan for health and social care.</p> <p>As part of the Plan, GM is seeking to use its share of the £8 billion promised to the NHS in the CSR to support new recurrent costs and protect social care budgets, closing over a quarter of the funding gap. A further investment by the partners of £500 million, phased over three years, will release future recurrent savings with a likely payback of £3 for every £1 invested.</p> <p><b>GM proposals</b></p> <p>In addition, GM has made a number of proposals to reform the way public services work together and deliver services within the region:</p> <ul style="list-style-type: none"> <li>■ Investment in transport infrastructure</li> <li>■ New funding mechanisms to support site remediation and infrastructure provision</li> <li>■ Making better use of Social Housing Assets to support growth</li> <li>■ Locally led low carbon</li> <li>■ A scaled-up GM Reform Investment Fund</li> <li>■ Devolution of decision making for apprenticeships and training, and reform to careers advice and guidance</li> <li>■ Fundamental review of the way services to children are delivered</li> <li>■ Research and innovation funding</li> <li>■ Investment in integrated business support to drive growth and productivity</li> <li>■ Reform of the New Homes Bonus</li> <li>■ Further employment and skills reform</li> <li>■ GM approach to data sharing across public agencies</li> <li>■ Fiscal devolution, including reform to Business Rates, Council Tax, Stamp Duty Land Tax and a Hotel Bed Tax</li> </ul> <p>All of these proposals involve joint working, not just with other GM agencies, but also central government departments. This allows the existing financial resources provided to the region to be redeployed more efficiently to maximise the benefits to GM.</p>

Area	Level of Impact	Comments
<p><b>Public Sector Audit Appointments Ltd (PSAA) – VFM profiles update</b></p>	<p>● <b>For Information</b></p>	<p>Public Sector Audit Appointments Ltd (PSAA) maintain the Value for Money profiles tool (VFM profiles) initially developed by the Audit Commission. The profiles were updated on 1 October 2015.</p> <p>The VFM profiles planned budget section now contains the 2015/16 data sourced from the Department for Communities and Local Government – General Fund Revenue Account Budget (RA). The values are adjusted with gross domestic product (GDP) deflators from the HM Treasury's publication in June 2015. The profiles can be accessed through the PSAA's homepage at <a href="http://www.psa.co.uk/">http://www.psa.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>



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# Appendix

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	April 2015	TBC
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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