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External audit progress report and technical update

**Northampton Borough
Council**

April 2014



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
Audit planning	<p>We have completed our risk based audit planning for the 2013/14 audit of your financial statements and VfM conclusion.</p> <p>We have agreed the Audit Plan with management and it was presented to the Audit Committee in March.</p>
Financial statements	<p>2013/14</p> <p>Our interim audit is taking place during April 2014, we will report findings from the interim visit if necessary to the June Audit Committee meeting. Our audit of your draft financial statements will take place during July/August.</p> <p>We will issue our opinion on your financial statements by 30 September 2014.</p>
Value for Money	<p>2013/14</p> <p>Our work on the VFM conclusion will commence as part of our interim audit visit in April and will conclude during our final accounts visit in July/August.</p> <p>We will issue our VFM conclusion by 30 September 2014</p>
Certification of claims and returns	<p>2013/14</p> <p>We are currently planning our certification of claims and returns work and will report further to you at the next Audit Committee meeting.</p>



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Technical update

Area	Level of Impact	Comments	KPMG perspective
Final local government finance settlement 2014/15	<p style="text-align: center;">● High</p>	<p>On 5 February 2014 the Government published the final local government finance settlement for 2014/15. In addition, the Government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum.</p> <p>For more information, visit https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2014-to-2015</p>	<p><i>The committee may wish to consider the progress the Council has made on addressing the funding cuts and the impact this has on services</i></p>
Draft order published reflecting changes to council tax calculations	<p style="text-align: center;">● High</p>	<p>The draft Localism Act 2011 (Consequential Amendments) Order 2014 was published on 9 January 2014. It proposes changes to sections 73 to 79 of the Localism Act 2011 that require billing authorities, major precepting authorities and local precepting authorities in England to calculate a council tax requirement for a financial year. Previously, such authorities were obliged to calculate a budget requirement for a financial year.</p> <p>The draft Order makes amendments to:</p> <ul style="list-style-type: none"> • section 31A(5) of the Local Government Finance Act 1992 (LGFA 1992) to exclude sums that have been or are transferred from an authority's general fund to its collection fund; • section 42A of the LGFA 1992 to ensure that grant repayments are taken into account as expenditure under section 85(4)(a) of the Greater London Authority Act 1999 (GLA 1999); and • schedule 6 of the GLA 1999 to provide that, if the approved consolidated budget or council tax requirement is found to be excessive, the GLA must agree a substitute consolidated budget or council tax requirement before (or after) the end of the financial year, if it has not already done so. <p>The draft Order will have effect in relation to financial years beginning 1 April 2014.</p>	<p><i>The committee may wish to consider whether the Council considered the impacts of the proposed changes when assessing their council tax requirement for 2014/15 and beyond</i></p>

Area	Level of Impact	Comments	KPMG perspective
Housing Revenue Accounts transfers – DCLG letter	<p>● Low</p>	<p>On 26 November, the Department of Communities and Local Government (DCLG) wrote to all local authority chief finance officers enquiring about potential transfers of funds from the Housing Revenue Account to the General Fund.</p> <p>DCLG is requesting the information as it ‘is considering whether it would be appropriate, where funds have been transferred, to determine or direct that such funds should be returned to the Housing Revenue Account’.</p> <p>The letter can be found at https://www.gov.uk/government/publications/transfer-of-funds-from-the-housing-revenue-account-to-the-general-fund</p>	<p><i>Please discuss this with your audit team if this is likely to impact the Authority in 2013/14</i></p>
Annual fraud and corruption survey 2013/14	<p>● Low</p>	<p>On 7 April 2014 the Audit Commission plans to issue its annual fraud and corruption survey to local authorities.</p> <p>The survey will ask officers for information about all detected fraud and corruption for the financial year 2013/14, and, as in previous years, the intention is to carry this out under section 48 of the Audit Commission Act 1998. The survey will be open for officers to complete and submit between 7 April 2014 and 16 May 2014.</p> <p>As in previous years, auditors will be asked to review the data for consistency with their existing knowledge of the Council.</p>	<p><i>The Authority should put arrangements in place to capture the information required for the survey and complete it before the deadline</i></p>

Area	Level of Impact	Comments
Future of local audit – consultation on secondary legislation	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The Department of Communities and Local Government (DCLG) carried out a 4 week consultation from 25 November 2013 on the secondary legislation that may be needed to give effect to the new local audit arrangements set out in the Local Audit and Accountability Bill, currently before Parliament.</p> <p>For more information on the future of local audit, visit the DCLG website: http://localaudit.readandcomment.com/</p>
Local Audit and Accountability Act 2014	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The Local Audit and Accountability Act 2014 received Royal Assent on 30 January. The Act makes it possible for the Audit Commission to close, in line with the Government’s expectations, on 31 March 2015. In its place there will be a new framework for local public audit, due to start after the Commission’s current contracts with audit suppliers end in 2016/17, or in 2019/20 if they are extended. A transitional body will oversee the contracts in the intervening period.</p> <p>In the statement the Commission’s Chairman explains the main aims of the organisation in its final 14 months. Jeremy Newman also confirms plans are already in place for many of the residual responsibilities that will transfer to new organisations and highlights those for which a new owner has not yet been agreed.</p> <p>The Audit Commission’s press release is available to view on its website: http://www.audit-commission.gov.uk/2014/01/finish-line-in-sight-for-audit-commission/</p>
Are other local authorities making more money? (CIPFA article)	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>“In this period of prolonged austerity, it is essential for local authorities to take advantage of the various income generation streams available to them if they wish to raise additional revenue as a means of providing funding for services. “</p> <p>Read the full article at: http://www.cipfa.org/policy-and-guidance/articles/are-other-local-authorities-making-more-money</p>

Area	Level of Impact	Comments
<p>Value for money data briefing on benefits administration</p>	<p>● For information</p>	<p>The Commission has published Councils' expenditure on benefits administration, the latest in its series of value for money (VFM) data briefings analysing data in the VFM profiles tool. The briefing compares the cost of benefits administration to councils with the Department of Work and Pensions (DWP) funding received. The briefing reports that costs exceeded funding by £361 million in 2012/13, but identifies significant variations in the amount each council spends when compared with other councils of similar size and caseload.</p> <p>To read the report, visit: http://www.audit-commission.gov.uk/2014/01/administration-and-overpayment-of-benefits-cost-councils-829-million/</p> <p>Visit the VFM profiles tool website at: http://www.audit-commission.gov.uk/information-and-analysis/</p> <p>The briefing also reports that in 2012/13 councils paid £468 million more in benefits than they received in subsidy from DWP. Councils are encouraged to use the national and local data to get a better understanding of their performance and costs and consider the scope to reduce their costs by improving their efficiency and reducing errors, overpayments and fraud.</p> <p>Previous briefings on council tax collection, social care for older people, income from charging and business rates are also available on the at http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</p>
<p>Judicial review over lost waste credits</p>	<p>● For information</p>	<p>Two local authorities have withdrawn their application for a judicial review against Defra's decision to remove £65 million in waste infrastructure credits. North Yorkshire County Council and City of York Council said continuing with the judicial review, which was due to be heard at the end of the month, "would not be in the public interest".</p> <p>Their grounds of challenge included that the Secretary of State did not make the decision to withdraw the credits after the councils had approved the plans for the £1.4 billion Allerton Waste Recovery Park in a proper manner and Defra failed to follow its own published criteria. In a statement, North Yorkshire and City of York said: "If the councils proceeded with the judicial review, and were successful, Defra would be required to repeat the decision making process but it is now clear that the likely outcome would be that Defra would reach the same conclusions and the funding support for the project would not be reinstated."</p> <p>North Yorkshire County Council and York City Council have spent more than £7million over eight years on expert advice over plans for the site near Harrogate. If the scheme does not go ahead the councils could be liable for a termination payment to contractors AmeyCespa of up to £5m.</p> <p>Bradford and Calderdale councils, who also had a judicial review claim against Defra over the withdrawal of waste infrastructure credits, have settled their claim.</p>

Area	Level of Impact	Comments
Administration of Benefits, including overpayments, cost councils £829m (Audit Commission article)	<p style="text-align: center;">● For information</p>	<p>Councils administer housing benefit on behalf of central government. They also administered council tax benefit until it was replaced in April 2013 by local council tax support schemes. Councils' local arrangements, such as how quickly, accurately and efficiently they process claims, affect the amount they spend administering benefits and the amount of subsidy they receive from the Department for Work and Pensions (DWP). By improving their performance, councils can reduce their costs, which are in excess of £800 million per year.</p> <p>Read the full article http://www.audit-commission.gov.uk/2014/01/administration-and-overpayment-of-benefits-cost-councils-829-million/</p>
High central costs in some councils need greater scrutiny (Audit Commission article)	<p style="text-align: center;">● For information</p>	<p>The Audit Commission has published new analysis of data on English councils' central management costs in its briefing, Councils' Centrally Managed Spending: Using Data From the Value for Money Profiles. Overall spending on corporate and democratic management reduced by 13 per cent from 2003/04 to 2012/13, while spending on central management support to services increased by 10 per cent. However, gaps and inconsistencies in councils' recorded spending in these areas will, the Commission says, hinder councils' attempts to identify savings and undermines accountability to taxpayers. As a result, the Commission is calling for greater local scrutiny and more consistent reporting by councils of their central management spending.</p> <p>Read the full article http://www.audit-commission.gov.uk/2014/02/high-central-costs-in-some-councils-need-greater-scrutiny-2/</p>
Councils show financial resilience, but must continue adapting (Audit Commission report)	<p style="text-align: center;">● For information</p>	<p>The Audit Commission's latest research, Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14, shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. But, the Commission says, with uncertainty ahead, councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.</p> <p>The report can be viewed at: http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf</p>

Area	Level of Impact	Comments
Auditing the Accounts 2012/13: Local government bodies (Audit Commission report)	<p style="text-align: center;">● For information</p>	<p>On Thursday 12 December 2013, the Audit Commission published its Auditing the Accounts 2012/13: Local government bodies report. The report summarises the quality and timeliness of financial reporting by principal and small bodies. Principal bodies include councils, police authorities, fire and rescue authorities, and other local government bodies. Small bodies include parish councils and internal drainage boards.</p> <p>The report covers the timeliness and quality of financial reporting and summarises:</p> <ul style="list-style-type: none"> • auditors' work on the 2012/13 financial statements; • auditors' work on the Whole of Government Accounts returns; • auditors local value for money work; • the public interest reports and statutory recommendations issued by auditors since our last report, issued in December 2012; and • the key financial reporting and financial management challenges facing bodies for 2013/14. <p>The report can be found at: http://www.audit-commission.gov.uk/ata1213e</p>

Area	Level of Impact	Comments
<p>Not all Council Tax support schemes will achieve the objectives outlined by the DCLG (NAO report)</p>	<p>● For information</p>	<p>The National Audit Office has found that the Department for Communities and Local Government worked together effectively with local authorities to ensure Council Tax support was introduced on schedule. Not all local authorities' support schemes, however, will achieve the expected objectives outlined by the Department before the policy was implemented.</p> <p>The Department reduced the funding for Council Tax support by 10 per cent, equating to a saving for central government of £414 million in 2013-14. Its 'localization' of Council Tax support required local authorities to design their own local support schemes. Most local authorities have reduced support for claimants to meet some of their funding reduction.</p> <p>Seventy-one per cent of local authorities have introduced schemes that require working age claimants to pay at least some council tax regardless of income. Most local authorities also used new powers to charge more Council Tax on some properties, such as second and short-term empty homes, to help offset the funding reduction for Council Tax support. The National Audit Office found that all of a sample of 207 local authorities had taken advantage of these additional powers, raising an estimated additional income of £178 million.</p> <p>The Department expects local authorities to implement schemes which protect vulnerable people and improve work incentives. The task for local authorities to meet these different objectives whilst managing their funding reduction is complex, and may require trade-offs. Today's report found, for example, that 41 per cent of local authorities have introduced minimum payments of Council Tax with no protections for vulnerable groups, other than those mandated for pensioners and war pensioners. The Department takes the view that scheme designs are local decisions and it does not plan to intervene in local authorities' scheme choices.</p> <p>The financial impact of the localization of Council Tax support will vary between local authorities and depends on a range of factors. For many local authorities, the reduction in funding for Council Tax support combines with other funding and welfare changes to put extra pressure on their budgets. According to the NAO, the Department must do more to satisfy itself that local authorities can manage the cumulative impact of funding and welfare changes.</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
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2013 (officers) March 2014 (Audit Cttee)	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2014	Complete
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.	April 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.	October 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.	January 2015	TBC



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