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External audit progress report and technical update

Northampton Borough Council

October 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
Financial statements	We gave an unqualified opinion on your 2013/14 accounts on 19 September. We will meet with officers at LGSS to discuss any learning points for the 2014/15 audit in January or February 2015.
Value for Money	We gave an unqualified Value for Money conclusion for 2013/14 on 19 September.
Certification of claims and returns	Our work on your Housing Benefits claim is ongoing, and is due to be completed by the end of November. We will report our findings to you in our Certification of Grants and Returns report, due in January 2015.
Other work	We have received and objection to the 2013/14 accounts. While we were satisfied that the impact on our 2013/14 Audit Opinion and your Value for Money Conclusion was not material or significant we are not able to close the audit until the objection is determined. Our work on this is ongoing, and we will update you further at the January meeting.
Audit Planning 2014/15	We will undertake our detailed audit planning for the 2014/15 audit over the next quarter, and will submit our audit plan to you in the New Year.



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KPMG resources

Area	Comments
<p>KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years</p>	<p>Without a radical programme of house building, average house prices in England could double in just ten years to £446,000, according to new research. In twenty years they could quadruple, with the average house price estimated to rise to over £900,000 by 2034 if current trends continue.</p> <p>The research from KPMG and Shelter also reveals that more than half of all 20-34 year olds could be living with their parents by 2040, as soaring housing costs caused by the shortage of affordable homes leave more and more people priced out of a home of their own.</p> <p>The warning comes as KPMG and Shelter launch a landmark new report, outlining how the 2015 government can turn the tide on the nation's housing shortage within a single parliament. With recent government figures showing that homeownership in England has been falling for over a decade, the consequences of our housing shortage are already being felt.</p> <p>The report sets out a blueprint for the essential reforms that will increase the supply of affordable homes and stabilise England's rollercoaster housing market. It calls on politicians to commit to an integrated range of key measures, including:</p> <ul style="list-style-type: none"> ■ Giving planning authorities the power to create 'New Homes Zones' that would drive forward the development of new homes. Combined with infrastructure, this would be led by local authorities, the private sector and local communities, and self-financed by sharing in the rising value of the land. ■ Unlocking stalled sites to speed up development and stop land being left dormant, by charging council tax on the homes that should have been built after a reasonable period for construction has passed. ■ Introducing a new National Housing Investment Bank to provide low cost, long term loans for housing providers, as part of a programme of innovative ways to finance affordable house building. ■ Helping small builders to get back into the house building market by using government guarantees to improve access to finance. ■ Fully integrating new homes with local infrastructure and putting housing at the very centre of City Deals, to make sure towns and cities have the power to build the homes their communities need. <p>To read the report, visit https://portal.ema.kworld.kpmg.com/uk/Documents/NewsroomDocs/2014/KPMG%20Shelter%20report%20FINAL.pdf.</p> <p>For more information, please contact a member of the audit team.</p>



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Technical update

Area	Level of Impact	Comments	KPMG perspective
National Audit Office consultation: Draft Code of Audit Practice for the audit of local public bodies	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>On Friday 19 September 2014 the National Audit Office (NAO) launched its consultation on the draft Code of Audit Practice for the audit of local public bodies. Subject to Parliamentary approval, the Code will take effect from 1 April 2015 for audit work relating to the 2015/16 financial year onwards.</p> <p>The NAO is seeking views and comments on the draft Code. In particular, the views of audited bodies are being sought on how valuable the work carried out each year on value-for-money arrangements is. The closing date for consultation responses is Friday 31 October 2014.</p> <p>For more information visit http://www.nao.org.uk/keep-in-touch/our-surveys/consultation-code-audit-practice/</p>	<p><i>The committee may wish to enquire of officers whether they responded to the consultation and the details of any response.</i></p>
Invitation to Comment and Simplification and Streamlining the Presentation of Local Authority Financial Statements	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>CIPFA and CIPFA/LASAAC have recently consulted on the Simplification and streamlining of the presentation of local authority financial statements.</p> <p>The consultation focused on the reporting of local authority performance and therefore on the comprehensive income and expenditure statement, the movement in reserves statement and the segmental reporting requirements specified in the Code of practice on local authority accounting in the United Kingdom. As an important part of reporting performance, it also considered the narrative reporting requirements which would accompany the financial statements.</p> <p>The consultation closed on 19 September 2014.</p>	<p><i>The committee may wish to enquire of officers whether they responded to the consultation and the details of any response.</i></p>
Audit Commission consultation: 2015/16 Proposed Work Programme and Scales of Fees	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>In October the Audit Commission launched its consultation on the 2015/16 proposed work programme and scales of fees. The Commission is proposing to reduce scale fees by a further 25 per cent from 2015/16, based on the scale fees applicable for 2014/15. It does not plan to make changes to the overall work programme. The consultation period ends on Friday 6 January 2015.</p> <p>The Commission is also consulting on a small supplementary fee for the audit of the accounts from 2014/15, in relation to audit work now required on business rates. This consultation ends on 7 November 2014.</p> <p>For more information visit http://www.audit-commission.gov.uk/audit-regime/audit-fees/201516propwpsf/</p>	<p><i>The committee may wish to enquire of officers whether they responded or are intending to respond to the consultation and the details of any response.</i></p>

Area	Level of Impact	Comments	KPMG perspective
Audit Commission calls for improved quality and accuracy in grant and subsidy claims and returns	<p style="text-align: center;">● Low</p>	<p>78 per cent of councils' claims to the grant-paying body for housing benefit subsidies for 2012/13 were challenged by the Audit Commission's appointed auditors.</p> <p>Auditors issued a qualification letter in 35 per cent (360) of the 1,023 claims and returns made by councils for 2012/13 in respect of seven schemes for grants or subsidies. 255 of the 360 (71 per cent) qualifications related to claims for housing and council tax benefit subsidy. In total, these seven schemes transfer £50.5 billion of public money from central to local government.</p> <p>The full findings in <i>Local Government Claims and Returns: Auditor's Certification Work for 2012/13</i>, also provide an overview of how local authority handling of claims and subsidies has changed since the Commission first produced a national report for the 2008/09 financial year. For example, between 2009 and 2013, auditors made amendments to about one quarter of teachers' pensions returns. 55 teachers' pensions returns (36 per cent) for 2012/13 were qualified, double that for 2011/12.</p> <p>To view the full report, visit http://www.audit-commission.gov.uk/audit-regime/certifying-claims-and-returns/</p>	<p><i>We will report the findings of our 2013/14 certification work by January 2015.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>2014/15 work programme and scales of fees for the National Fraud Initiative</p>	<p style="text-align: center;">● Low</p>	<p>On Monday 30 June 2014 the Audit Commission published the final 2014/15 work programme and scale of fees for National Fraud Initiative (NFI).</p> <p>The Commission has considered the small number of consultation responses received. Respondents generally supported the Commission's decision to recognise the financial pressures that public bodies are facing in the current economic climate by keeping the scale of fees the same as for NFI 2012/13. They also raised some specific points, on which the Commission will respond directly to the organisations concerned. A summary of the consultation responses can be viewed at http://www.audit-commission.gov.uk/wp-content/uploads/2014/06/NFI-2014-15-Work-programme-and-scale-of-fees-Consultation-Feedback.pdf.</p> <p>The final work programme and scale of fees documents for the NFI 2014/15 exercise are available on the Commission's website http://www.audit-commission.gov.uk/national-fraud-initiative/public-sector/fees/.</p> <p>Data request</p> <p>The NFI Team sent the formal NFI 2014/15 data request to all mandatory participant directors of finance on Monday 30 June. Directors of finance of existing voluntary participants also received an invitation to participate. The emails included links to the NFI online instructions which give details of NFI data requirements and also announce the launch of the Commission's 2014/15 web application.</p> <p>Participants are required to submit the required data sets, through the secure NFI web application, on Monday 6 October 2014. The Commission expects to release the data matches on Thursday 29 January 2015.</p>	<p><i>The committee may wish to confirm that the Authority has met the submission deadline.</i></p>

Area	Level of Impact	Comments
Public Accounts Committee report – Local government funding: assurance to Parliament	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The Public Accounts Committee has recently published a report on funding for local authorities. This found that whilst the Department for Communities and Local Government (DCLG) has increased flexibility for local government spending, allowing local authorities to use government funding according to local priorities, DCLG cannot be sure that the local accountability system is ensuring that local authorities are achieving value for money with their funding.</p> <p>The report can be found at http://www.publications.parliament.uk/pa/cm201415/cmselect/cmpubacc/456/456.pdf</p>
Government plans to regulate public sector exit payments	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The government has recently consulted on proposals to ensure exit payments are recovered when high earners return to the same part of the public sector within twelve months of leaving. The proposed provisions will be included in the Small Business, Enterprise and Employment Bill.</p> <p>The consultation outlines the government's proposal to underpin exit payment recovery across the public sector. The government expects any changes brought about as part of this consultation to support existing or on-going changes to exit payment arrangements to ensure they are fair and promote value for money more widely.</p> <p>More information can be found at https://www.gov.uk/government/consultations/recovery-of-public-sector-exit-payments</p>

Area	Level of Impact	Comments
Consultation on Local Government Pension Scheme	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The government has recently consulted on new governance arrangements, and sought responses from interested parties on the draft (pension) regulations which are to come into force from October 2014 onwards.</p> <p>The main provisions include a requirement for the Secretary of State to establish a national scheme advisory board to advise him on the desirability of changes to the scheme. Provision is also made for administering authorities to establish local pension boards to assist them with the effective and efficient management and administration of the scheme.</p> <p>Further information can be found at https://www.gov.uk/government/consultations/the-local-government-pension-scheme-amendment-regulations-2014-draft-regulations-on-scheme-governance</p>
Government publishes response on local authority parking strategies	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The government launched a consultation paper on local authority parking enforcement in 2013. The consultation closed in February 2014 and the government has now responded with a number of proposals, including:</p> <ul style="list-style-type: none"> ■ amending guidance to make it clear that motorists parking at an out-of-order meter should not be issued a penalty charge where there are no alternative ways to pay; ■ banning the use of CCTV cameras to enforce parking contraventions in the vast majority of cases, but with some exceptions (eg restricted areas outside of schools); ■ widening the powers of parking adjudicators. This could include, for example, measures to protect drivers where adjudicators have repeatedly identified a problem at a specific location (such as inadequate signage) and parking tickets have repeatedly been issued; and ■ introducing a mandatory 10 minute free period at the end of paid-for on-street parking either through amendments to statutory guidance or regulations. <p>Further information can be found at https://www.gov.uk/government/consultations/local-authority-parking</p>

Area	Level of Impact	Comments
<p>VFM data briefing on managing council property assets</p>	<p>● For information</p>	<p>On 5 June, the Audit Commission published the latest in its series of VFM briefings, <i>Managing council property assets: Using data from the VFM Profiles</i></p> <p>The briefing draws on Capital Outturn Return (COR) data in the Profiles to show trends since 2004/05 in: the net book value (NBV) of the operational and investment estates; levels of capital investment; and sources of finance for capital investment. It deals with how to release more value from the estate overall, and in particular, it addresses the need for councils to consider how they can best use or dispose of surplus assets, which had a NBV of £2.5 billion in 2012/13.</p> <p>As part of this update the following updated data has been added to the Profiles:</p> <ul style="list-style-type: none"> ■ Sustainable economy section, planning – processing of planning applications – quarter 3 2012/13. ■ Financial resilience, revenue collection services – CIPFA Revenue Collection Statistics – for 2012/13. ■ Environmental services – ENV18 – Local authority collected waste: annual results tables, final annual results for local authority collected waste and management figures for England. The Department for Environment, Food and Rural Affairs revised this data in May 2014. The data in the VFM profiles has been updated for the total local authority collected waste and household – waste not sent for recycling. ■ Benefits caseload – the latest available monthly data has been added, bringing the latest data to February 2014. <p>For further information visit: http://www.audit-commission.gov.uk/2014/06/can-local-governments-2-5-billion-surplus-assets-be-put-to-better-use/</p>

Area	Level of Impact	Comments
<p>Distribution of National Fraud Initiative (NFI) information packs to elected members at councils in England</p>	<p>● For information</p>	<p>To complement the National Fraud Initiative (NFI) national report published in June 2014 (available at http://www.audit-commission.gov.uk/national-fraud-initiative/nfi-reports/), the Audit Commission distributed an information pack for elected members with responsibility for finance and audit at councils in England in August. A copy was also be sent to directors of finance and NFI key contacts for information.</p> <p>The information pack brings together key facts about the NFI, the council's NFI outcomes and comparisons to their CIPFA nearest neighbours. The pack links to a series of questions elected members can put to their director of finance (NFI senior responsible officer). The responses will help them understand how the NFI is being used within the council, the benefits of taking part and if they are being maximised.</p> <p>If you did not receive the information pack and would like a copy please contact via email at nfiqueries@audit-commission.gsi.gov.uk</p>

Area	Level of Impact	Comments
The NAO's role in local audit	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The National Audit Office (NAO) is taking on new responsibilities in the new framework for the audit of local bodies. The NAO has produced a leaflet which provides information on its new role, examples of its recent value for money work focused on local services, and contact details for you to provide views and suggestions or to ask questions about its work.</p> <p>For more information, visit http://www.nao.org.uk/report/the-naos-role-in-local-audit/</p>
Funding healthcare: Making allocations to local areas (NAO report)	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The National Audit Office (NAO) has recently published a report examining the extent to which £79 billion of central funding allocated to local health bodies differs from target allocations based on relative need. It finds that nearly two-fifths of Clinical Commissioning Groups (CCGs) are more than five percentage points above or below their fair share of funding per person. It also finds that there is a clear relationship between the financial position of CCGs and their distance from target funding allocations, with 19 of the 20 CCGs with the tightest financial position receiving less than their target allocation, and 18 of the 20 with the largest surpluses receiving more than their target allocation.</p> <p>For more information, visit http://www.nao.org.uk/report/funding-healthcare-making-allocations-to-local-areas/</p>
Local government funding: Assurance to Parliament (NAO report)	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>A recent NAO report examines how the Department for Communities and Local Government (DCLG) has implemented and oversees the assurance framework that enables departments to assure Parliament on funding for local authorities following the changes in the 2010 Spending Review to give local authorities more control over their funding. The report finds that under current arrangements DCLG's monitoring information gives limited insight into whether value for money is being achieved in practice. It also suggests that departments should assess whether continuing to fund local authorities through un-ringfenced targeted grants is appropriate in the context of a locally-defined approach to achieving value for money.</p> <p>To view the report, visit http://www.nao.org.uk/report/local-government-funding-assurance-to-parliament/</p>

Area	Level of Impact	Comments
<p>Tenfold difference in outsource spending revealed (Local Government Chronicle article)</p>	<p>● For information</p>	<p>“Exclusive analysis has revealed a tenfold difference in the amount councils spend per head of population on outsourced services.</p> <p>Figures from a database of councils’ published receipts for 2012-13 show a huge gulf in the amount spent by top-tier councils with organisations in the private, public and voluntary sectors.</p> <p>Wigan MBC spent just £116 with outside providers per head of population, compared with over £1,000 at several London boroughs and £1,450 at Southend BC.</p> <p>The data, compiled by research firm Porge and analysed by Local Government Chronicle, presents a broad picture of the total trade top-tier councils carried out with other organisations, based on all published receipts for expenditure over £500.</p> <p>It shows councils spent £30.5bn with outside providers in 2012-13.</p> <p>Alongside classic outsourcing expenditure, such as waste contracts, this includes capital schemes such as house building and payments to financial institutions.”</p> <p>To view the full article, visit http://www.lgcplus.com/5071076.article (subscription required)</p>



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Appendix

Appendix 1 – 2014/15 Audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2014	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2015	TBC
Interim			
Interim report (if required)	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 2015	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 2015	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 2015	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2015	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	October 2015	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 2016	TBC



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