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External audit progress report and technical update

Joint Independent Audit Committee

October 2014

This report provides the Joint Independent 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 on the organisation 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 Joint Independent 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.

2014/15 Audit - Summary of work planned in the next quarter

We are about to start work on planning the 2014/15 audit and our work over the coming quarter will include:

- ongoing liaison with finance staff to discuss relevant current and emerging issues in respect of the accounts and value for money;
- meeting with Executive Officers as part of the detailed planning process to better understand the current and longer term issues that the organisation is addressing;
- liaising with internal audit with a view to maximising audit efficiency (whilst recognising the differences in our roles);
- updating our audit risk assessments and developing our detailed draft Audit Plan which we expect to submit to the Joint Independent Audit Committee early in 2015. This will set out the scope of the audit in more detail.


At this stage our planning is likely to include particular focus on:

- the PCC's and CC's arrangements in relation to the two Audit Commission specified Value for Money criteria (that is, its arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness);
- the impact on our audit of any changes in central guidance on the composition of the accounts; and
- any learning opportunities from the 2013/14 audit which we can use to improve the process in 2014/15.




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Technical update

Area	Level of Impact	Comments	KPMG perspective
Accounting for Injury Benefits – Firefighters and Police Officers	 High	<p>In 2006, the Firefighters' Compensation Scheme (England) Order came into force. One of its effects was to change the way injury benefits were funded and accounted for in respect of firefighters who had retired due to injury.</p> <p>The Department for Communities and Local Government (DCLG) has identified instances where some authorities have incorrectly charged injury benefits to the pension fund account and consequently DCLG may have overpaid top-up grant. The Fire Finance Network is currently discussing proposals with DCLG for all fire authorities and county councils with fire responsibilities to provide DCLG with statements of assurance to confirm that they are accounting correctly for injury benefits and are taking steps to correct any previous errors which may have occurred.</p> <p>The guidance made available to KPMG by both the Audit Commission and DCLG was clear that injury benefits are not a charge to the Firefighters Pension Fund, and are not covered by top-up grant.</p> <p>For further information see the DCLG guidance at https://www.gov.uk/government/publications/firefighter-pensions-financial-arrangements-guidance.</p> <p>The Police (Injury Benefit) Regulations 2006 made similar provisions in respect of injury benefits for police officers.</p> <p>The Home Office did not issue specific guidance on police injury benefits.</p>	<p><i>The Committee may wish to seek assurances these costs are being accounted for appropriately and that where errors have been made, there are plans to address them.</i></p>

Area	Level of Impact	Comments	KPMG perspective
National Audit Office consultation: Draft Code of Audit Practice for the audit of local public bodies	● Medium	<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>	<i>The Committee may wish to enquire of officers whether they responded to the consultation and the details of any response.</i>
Invitation to Comment and Simplification and Streamlining the Presentation of Local Authority Financial Statements	● Medium	<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>	<i>The Committee may wish to enquire of officers whether they responded to the consultation and the details of any response.</i>

Area	Level of Impact	Comments	KPMG perspective
2014/15 work programme and scales of fees for the National Fraud Initiative	 Low	<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 organisation has met the submission deadline.</i></p>

Area	Level of Impact	Comments
Government plans to regulate public sector exit payments	● For information	<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>
Consultation on Local Government Pension Scheme	● For information	<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>
The NAO's role in local audit	● For information	<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>
Local government funding: Assurance to Parliament (NAO report)	● For information	<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>



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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	March 2015	TBC
Interim			
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 PCC's and CC's arrangements for securing value for money in the use of its resources.	If required	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 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.	November 2015	TBC



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