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External audit progress report and technical update

Bolsover District Council

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

| PROGRESS REPORT | | | | | |
|--|---|----|---|---|----|
| External audit progress report | | | | | 3 |
| KPMG RESOURCES | | | | | |
| KPMG Local Government Budget Survey | | | | | 5 |
| TECHNICAL UPDATE | | | | | |
| New local audit framework | ● | 7 | Capital receipts flexibility | ● | 14 |
| DCLG consultation on pension fund investment reform | ● | 8 | Better Care Fund policy framework 2016/17 | ● | 15 |
| Accounts and Audit Regulations 2015 – Narrative statements | ● | 9 | PSAA update – VFM profiles February 2016 release | ● | 16 |
| Accounts and Audit Regulations 2015 – Exercise of public rights | ● | 10 | Greater Manchester Combined Authority | ● | 17 |
| Consultation on 2016/17 audit work programme and scales of fees | ● | 11 | Joint report by CIPFA and HFMA: <i>The Better Care Fund – six months on</i> | ● | 18 |
| CIPFA briefings on accounting for highways infrastructure assets | ● | 12 | Cities and Local Government Devolution Act 2016 | ● | 19 |
| 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) – update | ● | 13 | | | |
| APPENDIX | | | | | |
| Appendix 1 – 2015/16 audit deliverables | | | | | 21 |



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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 deliverables is provided in Appendix 1 of this report.

| Area of responsibility | Commentary |
|-----------------------------|---|
| Financial statements | <p>We have completed our planning work for the 2015/16 audit, the outcome of which was reported to the Chief Financial Officer in our External Audit Plan in March 2016 and is due to be received by the Audit Committee in April 2016.</p> <p>During March 2016 we undertook our interim audit visit. There are no matters arising which were necessary to be separately reported to you at this stage.</p> <p>Our year end visit is due to commence on 13 June 2016 and our audit team will be on-site for a period of two weeks.</p> |
| Value for Money | <p>Our work in relation to the Value for Money conclusion is underway and the Authority has provided some additional information which we have requested to inform our view in a number of areas.</p> <p>Further work will be undertaken to finalise our opinion once the final outturn position is known and the audit of the financial statements is substantially complete.</p> |



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KPMG resources

| Area | Comments |
|---|--|
| <p>KPMG Local Government Budget Survey</p> | <p>KPMG has recently published the results of its Local Government Budget Survey. The survey collated data from 97 KPMG local authority clients on topics including:</p> <ul style="list-style-type: none"> ■ The content of budget monitoring reports; ■ Savings plans; ■ Invest-to-save projects ■ The type of savings being made; ■ Assumptions underlying the medium term financial plan; and ■ Reserve movements. <p>The Survey also poses questions for management and members to consider when reviewing their budget setting and budget monitoring processes.</p> <p>For more information, and a copy of the report, please contact Kay Meats at kay.meats@kpmg.co.uk.</p> |



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Technical update

| Area | Level of impact | Comments | KPMG perspective |
|---|----------------------------|---|---|
| <p>New local audit framework</p> | <p>● Medium</p> | <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>CIPFA have now issued guidance that was commissioned by DCLG on the creation of Auditor Panels. The guidance is available at www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf The guidance provides options on establishing an Auditor Panel, and the roles and responsibilities the panels will have once established.</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>Members may wish to review the CIPFA guidance and begin initial discussions with colleagues about the approach the Authority may wish to adopt.</i></p> |

| Area | Level of impact | Comments | KPMG perspective |
|--|---|--|--|
| DCLG consultation on pension fund investment reform | <p style="text-align: center;">●</p> <p style="text-align: center;">Low</p> | <p>The Department for Communities and Local Government (DCLG) has recently closed a consultation on revised regulations for the investment of local government pension scheme assets. The proposed regulations include the proposal to allow pension schemes to pool assets for investment purposes.</p> <p>The revised regulations can be found here at www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance</p> <p>The outcome of the consultation will be published here: https://www.gov.uk/government/consultations/revoking-and-replacing-the-local-government-pension-scheme</p> | <p><i>The Committee may wish to enquire of officers whether their Authority responded to the consultation and the views expressed.</i></p> |

| Area | Level of Impact | Comments | KPMG perspective |
|---|---|--|--|
| Accounts and Audit Regulations 2015 – Narrative statements | <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"> 1) <i>A Category 1 authority must prepare a narrative statement in accordance with paragraph (2) in respect of each financial year.</i> 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> <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> |

| Area | Level of Impact | Comments | KPMG perspective |
|--|--|--|---|
| Accounts and Audit Regulations 2015 – Exercise of public rights | <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>Consultation on 2016/17 audit work programme and scales of fees</p> | <p>● Low</p> | <p>Public Sector Audit Appointments Ltd (PSAA) published its consultation on the 2016/17 proposed work programme and scales of fees.</p> <p>The consultation set 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 www.psa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/</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 closed 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>CIPFA briefings on accounting for highways infrastructure assets</p> | <p>● Low</p> | <p>CIPFA has published the first of a series of briefings on highways infrastructure assets.</p> <p>The first briefing focuses on the decisions made by CIPFA/LASAAC Local Authority Accounting Board following its consultation on the <i>Code of Practice on Local Authority Accounting in the United Kingdom 2016/17</i>. The briefing also covers the applicability of the measurement requirements for district councils and the resources available to support the implementation process. In particular the briefing notes:</p> <ul style="list-style-type: none"> ■ the change to recognising the assets using the depreciated replacement cost approach will be prospective, so will not require the 2015/16 accounts to be restated; and ■ district councils are unlikely to meet the definition of having a single highways network asset, although they will need to reach their own view on this. <p>The first briefing can be found at www.cipfa.org/~media/files/policy%20and%20guidance/local%20authority%20transport%20infrastructure/final%20briefing%20hna%20no%201.pdf?la=en</p> | <p><i>The Committee may wish to seek assurances how their Authority is progressing with the new requirements.</i></p> |

| Area | Level of Impact | Comments | KPMG perspective |
|---|--|--|--|
| 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) – update | <p style="text-align: center;">● Low</p> | <p>CIPFA/LASAAC has issued an update to the <i>2015/16 Code of Practice on Local Authority Accounting in the United Kingdom</i> (the Code) following its consultation process. The 2015/16 Code update should be read alongside the 2015/16 Code published in April 2015.</p> <p>Authorities should note that the update confirms the transitional reporting requirements for the measurement of the Highways Network Asset. The Code does not require a change to the preceding year information for the move to measuring the Highways Network Asset at current value (and under that provision would not require a change to the balance sheet information at 1 April 2015). It also does not require a restatement of the opening 1 April 2016 information but there will need to be an adjustment to those balances.</p> <p>The Code update also includes amendments as a result of legislative changes and particularly the <i>Accounts and Audit Regulations 2015</i> for English authorities. It specifies the principles for narrative reporting which CIPFA/LASAAC considers should be used to meet the new requirements of those regulations.</p> | <p><i>The Committee may wish to seek assurances that their Authority is aware of the update to the 2015/16 Code.</i></p> |

| Area | Level of Impact | Comments | KPMG perspective |
|-------------------------------------|--|---|---|
| Capital receipts flexibility | <p style="text-align: center;">● Low</p> | <p>The 2015 Spending Review included an announcement that local authorities would be able to use capital receipts on the revenue costs of service reform projects. The Department for Communities and Local Government (DCLG) has now issued guidance on the capital receipts flexibility, including a draft direction setting out the types of project that would qualify and expected governance and transparency framework. In summary:</p> <ul style="list-style-type: none"> ■ the flexibility is available from 1 April 2016 to 31 March 2019; ■ only capital receipts generated during that period can be used for the flexibility; ■ the Secretary of State’s direction will have the effect of allowing authorities to treat revenue expenditure on service reform as capital during the three year period; ■ authorities will not be allowed to borrow to fund revenue expenditure on service reform; and ■ authorities are required to have regard to a statutory code which contains certain transparency requirements when taking advantage of the flexibility. <p>We understand that DCLG’s aim is that the final signed direction will be issued with the final settlement in February 2016.</p> <p>A copy of the draft guidance can be found at www.gov.uk/government/uploads/system/uploads/attachment_data/file/486999/Capital_receipts_flexibility - draft statutory guidance and direction.pdf</p> | <p><i>The Committee may wish to seek assurances how their Authority is planning to use the new flexibility.</i></p> |

| Area | Level of Impact | Comments | KPMG perspective |
|--|---|--|---|
| Better Care Fund policy framework 2016/17 | <p style="text-align: center;">●</p> <p style="text-align: center;">Low</p> | <p>The Department of Health, in conjunction with the Department for Communities and Local Government, has recently published <i>2016-17 Better Care Fund planning guidance</i>.</p> <p>The guidance introduces a number of changes, requiring local clinical commissioning groups (CCGs), councils and providers to establish risk sharing arrangements to fund unplanned emergency admissions. Local areas will also have to agree to ‘stretching’ local targets for cutting delayed transfers of care supported by an action plan.</p> <p>The guidance can be found here: www.gov.uk/government/publications/better-care-fund-how-it-will-work-in-2016-to-2017</p> | <p><i>The Committee may wish to seek assurances how their Authority is developing these arrangements.</i></p> |

| Area | Level of Impact | Comments |
|---|--|---|
| <p>PSAA update – VFM profiles March 2016 release</p> | <p style="text-align: center;">●</p> <p style="text-align: center;">For Information</p> | <p>Public Sector Audit Appointments Ltd (PSAA) updated its Value for Money Profiles Tool (VFM profiles) on 3 February 2016.</p> <p>The VFM profiles have been updated with the 2014-15 data sourced from the Department for Communities and Local Government – General Fund Revenue Outturn Budget (RO). The values are adjusted with gross domestic product (GDP) deflators from HM Treasury's publication in November 2015. The profiles can be accessed through the PSAA website at www.psaa.co.uk/</p> |

| Area | Level of Impact | Comments |
|---|-------------------------------------|---|
| <p>Greater Manchester Combined Authority</p> | <p>● For Information</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>Health and Social Care</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>GM proposals</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"> ■ Investment in transport infrastructure ■ New funding mechanisms to support site remediation and infrastructure provision ■ Making better use of Social Housing Assets to support growth ■ Locally led low carbon ■ A scaled-up GM Reform Investment Fund ■ Devolution of decision making for apprenticeships and training, and reform to careers advice and guidance ■ Fundamental review of the way services to children are delivered ■ Research and innovation funding ■ Investment in integrated business support to drive growth and productivity ■ Reform of the New Homes Bonus ■ Further employment and skills reform ■ GM approach to data sharing across public agencies ■ Fiscal devolution, including reform to Business Rates, Council Tax, Stamp Duty Land Tax and a Hotel Bed Tax <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>Joint report by CIPFA and HFMA: <i>The Better Care Fund – six months on</i></p> | <p>● For Information</p> | <p>Authorities may wish to be aware of a recent joint report by CIPFA and the Healthcare Financial Management Association (HFMA) examining the progress that has been made six months into the implementation of Better Care Fund arrangements.</p> <p>The report is based on the results of an HFMA and CIPFA joint finance staff survey of NHS bodies and local authorities representing almost a third of BCF sites.</p> <p>The report can be found on the CIPFA website at www.cipfa.org/about-cipfa/press-office/latest-press-releases/better-care-fund-struggling-with-red-tape</p> |

| Area | Level of Impact | Comments |
|--|--|---|
| Cities and Local Government Devolution Act 2016 | <p style="text-align: center;">●</p> <p style="text-align: center;">For Information</p> | <p>Authorities will wish to note that the Cities and Local Government Devolution Act 2016 received Royal Assent on 28 January 2016. The Act provides the enabling legislation to:</p> <ul style="list-style-type: none"> ■ allow for the election of mayors for a combined authority area; ■ allow for the devolution of functions, including transport, health, skills, planning and job support; and ■ provide a power to establish sub-national transport bodies which will advise the Government on strategic schemes and investment priorities in their own area. <p>Most of the changes under the Act, including the implementation of ‘devolution’ deals, will be implemented by Orders to be made under the Act.</p> |



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Appendix

| Deliverable | Purpose | Timing | Status |
|--|---|----------------|----------|
| Planning | | | |
| 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 | March 2016 | Complete |
| 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 2016 | 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 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. | October 2016 | 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 2017 | TBC |



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