



# Annual Report on grants and returns 2016/17

**North Lincolnshire Council**

January 2018



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Clare Partridge, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

### Introduction and background

This report summarises the results of work we have carried out on the Council's 2016/17 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2016/17 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2016/17 Housing Benefit Subsidy claim. This had a value of £43,188,421
- Under separate engagements we issued a report on one return as listed below.
- Teachers Pension Return. This included total contributions of £7,291,975
- National College for Teaching and Leadership (NCTL) Annual Grant Return. This included ITT training bursaries received of £56,000.

### Certification and assurance results (Pages 3-4)

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was subject to a qualification letter.

- An error was identified in our testing of rent allowances due to the incorrect classification of an overpayment. No similar errors were identified in the prior year;
- A further error was identified in our testing of rent allowances due to the incorrect calculation of earnings. A similar error was identified last year.
- A small adjustment was made to the submitted claim reducing the subsidy claimed on non HRA rent rebates by £631.

Our work on the Teachers Pension Return did not identify any errors and no adjustment was required, as in previous years.

Our work on the NCTL Annual Grant Return highlighted minor presentational errors that were amended in the final submitted version of the return. There were no amendments required in the prior year.

### Recommendations

We have made no recommendations to the Council from our work this year. There were no recommendations outstanding from previous years' work on grants and returns.

### Fees (Page 6)

Our fee for certifying the Council's 2016/17 Housing Benefit Subsidy grant was £15,615, which is in line with the indicative fee set by PSAA.

Our fees for the other grant/return engagements were subject to agreement directly with the Council. The fee for examination on the Teachers Pension Return was £3,500. The fee for the National College Teaching and Leadership Annual Grant Return was £3,500.

# Summary of reporting outcomes

Overall, we carried out work on three grants and returns:

- one was unqualified with no amendment;
- One required minor amendment
- one required minor amendment and qualification to our audit certificate.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council’s 2016/17 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
<b>Public Sector Audit Appointments regime</b>					
— Housing Benefit Subsidy	1	●		●	
<b>Other grant/return engagements</b>					
— Teachers Pension Return					●
— National College Teaching and Leadership Annual Grant Return				●	
		1	0	2	1

# Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p><b>Housing Benefit Subsidy</b></p> <ul style="list-style-type: none"> <li>— <b>Overpayment Error</b></li> <li>— An error was identified in the Rent Allowance testing which showed an error in the classification of an overpayment. It was shown as an local authority error and administration delay overpayment instead of an eligible overpayment error.</li> <li>— Testing of a further 40 cases identified 2 further errors.</li> <li>— When extrapolated this gave a potential adjustment of £1,517 which has been included in our qualification letter.</li> <li>— <b>Incorrect Earnings Error</b></li> <li>— An error was identified in the Rent Allowance testing which showed an error in the claimants earnings used in the assessment for eligibility for benefit. This error did not have an impact on the benefit paid.</li> <li>— Testing of a further 40 cases identified 10 further cases with a total of 14 errors in the earnings used in the calculation. Of the 14 errors 7 errors led to overpayment of benefit, 4 led to underpayment of benefit and 3 had no impact on the benefit paid.</li> <li>— When extrapolated this gave a potential adjustment of £4,993 which has been included in our qualification letter</li> </ul>	<p><b>A minor increase in the subsidy claimed for rent rebates of £631 was made to the claim form</b></p>

## Fees

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2016/17 was £22,615.

### Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2016/17 of £15,615. Our actual fee was the same as the indicative fee, and this compares to the 2015/16 fee for this claim of £13,410.

### Grants subject to other engagements

The fees for our work on other grants/returns are agreed directly with the Council. Our fees for 2016/17 were broadly in line with those in 2015/16.

### Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2016/17 (£)	2015/16 (£)
Housing Benefit Subsidy claim	15,615	13,410
Teachers Pension Return	3,500	3,500
NCTL Annual Grant Return	3,500	3,000
<b>Total fee</b>	<b>22,615</b>	<b>19,910</b>



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# Technical update Draft

Incorporating the External Audit Progress Report

North Lincolnshire Council





January 2018



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	1. 2017/18 audit deliverables	

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 information



# External audit progress report

# External audit 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>Financial statements</b>	Our planning for 2017-18 has commenced. A copy of our Audit Plan has been discussed with officers and will be presented at the January 2018 Audit Committee.
<b>Value for Money</b>	We have carried out an initial assessments and will update this section as we progress the 2017-18 Audit, should any significant risks be identified we will report these to you.
<b>Certification of claims and returns</b>	<p>We have completed our work on the Council’s 2016-17 Housing Benefit and Subsidy Claim. This is the only claim to remain under the PSAA regime.</p> <p>We have also completed the audit of the following grant claims and returns which fall outside of the PSAA regime:</p> <ul style="list-style-type: none"> <li>• Teacher’s Pensions Return; and</li> <li>• National College for Teaching and Leadership Annual Grant Return</li> </ul> <p>A separate grants report on the above has been discussed with officers and will be presented at the January 2018 Audit Committee.</p>
<b>Other work</b>	No additional work has been requested that we have not already brought to the Audit Committee’s attention.



# KPMG Resources

# Ready for General Data Protection Regulations (GDPR)?

The biggest change to rules governing data protection for more than 20 years comes into effect in May 2018, carrying fines of up to 4% of revenue or €20m for organisations that do not comply, whichever is higher. The European Privacy regulators have made it very clear they intend to use their new powers.

Managing data requires a careful strategy to ensure that it's reliable and that customers understand what you are doing with their personal information and where required that you have gained their consent. This will ensure the insights it delivers are actionable, and reduces the risk that organisations won't be perceived as intrusive as customers see more tailored services.

Based on KPMG's extensive experience in working with organisations across sectors and geographies on privacy matters, we recommend the following five step approach. This could be used specifically for the purposes of the GDPR or as a broader privacy strategy approach.

- 1) Define your privacy strategy** – Defining your privacy strategy is the first step. Without it, you can't have a consistent and coherent approach. The strategy must be defined and articulated, and then presented to senior leadership for their endorsement. You need to get it on the decision maker's agenda fast. Our recent experience has shown that most organisations will need to put investment into a privacy improvement programme.
- 2) Where are you now?** – In order to establish the size of the task ahead and what specific areas need addressing, you need to understand your organisation's current maturity. This is not a tick box exercise but a pragmatic, focused process to really understand the GDPR privacy risk exposures that exist across your organisation.
- 3) Take a pragmatic approach** – You need to build a realistic plan which will help you manage your risk to an appropriate level, in line with your overall business strategy. This does not necessarily mean taking a leading position in every single respect – but a clear view of what success looks like for you.
- 4) Coordinate and deliver** – Focusing on areas of greatest risk, you need to ensure that controls are embedded as part of day to day business operations. This will require coordination across the organisation. Make sure you have the right blend of input from legal, IT, HR and other functions and enough resources. Don't underestimate the level of effort – personal information is everywhere in your organisation.
- 5) Embed into business as usual** – Complying with the GDPR is about defining, implementing and then sustaining compliant processes. Post 2018 you will be required to demonstrate, on an ongoing basis, how you collect, use, retain, disclose and destroy personal information in line with the GDPR requirements. This impacts everything you do relating to personal information and is therefore a significant transformational activity for your organisation going forwards.

More details, including in relation to the five step approach set out above, can be found at: [www.kpmg.com/uk/privacyservices](http://www.kpmg.com/uk/privacyservices)

# The route to digital business leadership

Whether disruptive technologies are viewed as a threat, an opportunity, or both, the need for digitally enabled business transformation is a survival issue for some and a strategic imperative for just about everyone else. But organizations are meeting with varying levels of success.

In this year's Harvey Nash / KPMG CIO Survey, we recognized that there was a group of respondents who are 'very effective' at using digital technologies to advance their business strategy. We have labelled these organizations 'Digital Leaders'.

Based on extensive analysis of the survey data, KPMG member firms' professional experience and conversations with clients, we have identified four key practices that set these 'digital leaders' apart from other organizations. The report describes each in more detail:

- Build on a stable and secure infrastructure
- Invest aggressively in agile and disruptive technologies
- Adept at aligning business and IT strategy
- Focused on innovation and growth

But how do you become a digital leader? KPMG's report sets out six steps that organizations can take to help close the gap, and move them down the road towards digital business leadership.

The full report can be accessed here: <https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2017/09/the-route-to-digital-business-leadership.pdf>

# How to build a business case

A sound business case is a foundation to effective investment decisions. It is crucial for making the right investment decisions. As the pressure on local authority finances continues the role of major investment and transformation decisions will become more critical to delivering a sustainable future. Robust business cases are vital to ensuring that investment choices have the best chance of delivering success.

Through KPMG's work with over 100 public sector bodies we have produced a practical guide to preparing robust and proportionate business cases to support both routine and strategic investment decisions.

The report covers:

- The role of the business case
- How to achieve consistent quality
- Getting the balance right in the content of the business case
- Achieving objectivity
- The business case framework
- A guide to local government business cases, including the requirements for good business cases, split into 11 elements.

The full report can be accessed here: <https://home.kpmg.com/uk/en/home/insights/2017/12/local-government-how-to-build-a-business-case.html?hootPostID=ad392ed3a21657cc96c79dbd6eb73134>



# Technical developments



# Local government finance settlement 2017-18

Level of impact ● (for action)	KPMG Perspective
<p>The Department for Communities and Local Government (DCLG) has published the final local government finance settlement for 2017/18. The settlement reflects comments received by DCLG in response to its consultation, with key features including:</p> <ul style="list-style-type: none"><li>— confirmation of spending allocations for those authorities which have taken up the government’s four-year funding deal first set out in 2015;</li><li>— details of council tax referendum thresholds, including the additional social care precept, and a 2% principle for all shire district councils, and for police and crime commissioners in the lowest quartile; and</li><li>— the legislative framework for business rates reform underpinning the move towards 100% business rates retention.</li></ul> <p>For further information please see <a href="http://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2017-to-2018">www.gov.uk/government/collections/final-local-government-finance-settlement-england-2017-to-2018</a></p>	<p>Committee members may want to be updated as to how this will impact on the medium term financial plans.</p>

# Minimum Revenue Provision Consultation

Level of impact: ● (for action)	KPMG Perspective
<p>The Prudential System is comprised of 4 statutory codes. The Department for Communities and Local Government is responsible for preparing the guidance on Local Authority Investments and the guidance on Minimum Revenue Provision.</p> <p>Over the past years the regulatory and economic environment has changed significantly and led the sector to consider more innovative types of investment activity. The government has also monitored changes in the practices used for calculating Minimum Revenue Provision.</p> <p>As a result the government proposes to update the guidance as part of the more general update of the statutory codes comprising the prudential framework</p> <p>Department for Communities and Local Government are consulting on the proposed framework</p> <p>This consultation sought views on the proposals for updating the prudential framework and concluded on 22 December 2017.</p> <p>The consultation and proposed framework can be found below.</p> <p><a href="https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance">https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance</a></p>	<p>Committee members may want to request information on how this may impact the medium term financial strategy</p>

# Public Sector Internal Audit Standards (PSIAS)

Level of impact: ● (For Action)	KPMG Perspective
<p>The revised Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2017 and are included on the IASAB website (a CIPFA microsite – link below). These were agreed by the Relevant Internal Audit Standard Setters (RIASS) who are CIPFA in respect of local government bodies across the UK.</p> <p>The standards apply to local authorities and other local government bodies, including police and fire bodies, as well as government departments (including executive agencies and non-departmental public bodies) and Clinical Commissioning Groups and NHS trusts.</p> <p>The standards are based on the mandatory elements of the International Professional Practices Framework (IPPF) as follows:</p> <ul style="list-style-type: none"><li>– Definition of internal auditing.</li><li>– Core principles for the professional practice of internal auditing.</li><li>– Code of ethics.</li><li>– International standards for the professional practice of internal auditing (which comprise statements, interpretations and a glossary).</li><li>– Plus the mission of internal auditing.</li></ul> <p>In addition, the PSIAS include a small number of the UK public sector requirements, which indicate how internal auditors must implement the IPPF in the UK public sector including:</p> <ul style="list-style-type: none"><li>– conforming to the Code of Ethics. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation;</li><li>– having regard to the Committee on Standards of Public Life’s Seven Principles of Public Life; and</li><li>– the requirement for the chief audit executive to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.</li></ul> <p>The 2017 PSIAS standards can be found at <a href="http://www.iasab.org/standards">www.iasab.org/standards</a></p>	<p>Committee members may wish to request assurance that the Internal Audit standards will be achieved.</p>

# Auditor Guidance Note 1 (AGN 01) – General Guidance

Level of impact: ● (for action)	KPMG Perspective
<p>The Comptroller and Auditor General (C&amp;AG) has issued a revised version of Auditor Guidance Note 1 (AGN 01).</p> <p>AGN 01 provides general guidance to auditors of local bodies, and sets out the overall framework for issuing guidance and for providing other support to local auditors. It includes relevant ethical requirements which those charged with governance may wish to be aware of.</p> <p>A copy of AGN 01 can be accessed from the NAO website, guidance and information for auditors page, at the following link: <a href="https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Auditor-Guidance-Note-01-General-Guidance-Supporting-Local-Audit.pdf">https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Auditor-Guidance-Note-01-General-Guidance-Supporting-Local-Audit.pdf</a></p>	<p>Those charged with governance will wish to be aware of the requirements of the FRC’s ethical standard and the supplementary and explanatory guidance set out in AGN 01.</p>

# Auditor Guidance Note 7 (AGN 07) – Auditor Reporting

Level of impact: ● (Low)	KPMG Perspective
<p>The Comptroller and Auditor General (C&amp;AG) has issued an update version of Auditor Guidance Note 7 (AGN 07).</p> <p>AGN 07 is relevant to all bodies covered by the Local Audit and Accountability Act 2014 (the Act) and the Code of Audit Practice (the Code).</p> <p>The changes include revisions to clarify the guidance relating to:</p> <ul style="list-style-type: none"><li>• Reporting to those charged with governance, which needs to cover the range of audit responsibilities under the Code including auditor judgements on significant risks in respect of arrangement to secure value for money</li><li>• In specified circumstances, enhanced reporting requirements under ISA (UK) 700, including the reporting of key audit matters under ISA (UK) 701</li><li>• Reporting considerations in relation to material uncertainty in respect of going concern</li><li>• Considering when to issue the annual audit letter, including in situations where work remains outstanding, for example, on Whole of Government Accounts returns; and</li><li>• Part-year reporting requirements.</li></ul> <p>A copy of AGN 07 can be accessed from the NAO website, guidance and information for auditors page, at the following link: <a href="https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Auditor-Guidance-Note-07-Auditor-Reporting-1.pdf">https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Auditor-Guidance-Note-07-Auditor-Reporting-1.pdf</a></p>	<p>Those charged with governance will wish to be aware of the reporting requirements under the local Audit and Accountability Act 2014.</p>

# Local authority accounts: A guide to your rights

### Level of impact: ● (For Information)

The NAO publishes a guide aimed at helping local people understand their rights to ask questions, inspect and object to local authority accounts. The updated publication, *Local authority accounts: A guide to your rights*, is available on the NAO website (at the link below).

The main changes to the guide are as follows:

- A change of title from *Council Accounts: A guide to your rights* to *Local authority accounts: A guide to your rights*, to reflect the fact that public rights apply to a wider selection of authorities than 'councils'.
- The guide contains a new Annex, which addresses issues specific to smaller authorities, such as exemption from limited assurance review, which comes into force from 2017-18 onwards.
- The guide clarifies that, while helpful to do so, it is not necessary for electors to identify an item of account in order for the objection to be eligible, particularly where they are raising issues in respect of governance, and/or are asking the auditor to issue a report in the public interest. Audit committee members are encouraged to read the guide, and to direct members of the public to in correspondence where this may be helpful.

The guide can be found at [www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights/](http://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights/)

# Publication of 2017/18 work programme and scale of fees

### Level of impact: ● (For Information)

Following consultation, Public Sector Audit Appointments Ltd (PSAA) has published the work programme and scale fees for the audit of the 2017/18 accounts of principal local government and police bodies.

There are no changes to the overall work programme for 2017/18. Scale fees will therefore also remain at the same level as the scale fees applicable for 2016/17. This retains the significant fee reductions of 55 per cent secured since 2012/13, and continues to protect audited bodies from cost of living increases with an overall real terms saving equivalent to 61 per cent.

The audit of the 2017/18 accounts is the final year for the current audit contracts, which were extended for one year under transitional arrangements made by the Department for Communities and Local Government. For audits of the accounts from 2018/19, the provisions of *the Local Audit and Accountability Act 2014* in relation to local appointment of auditors will apply. The Secretary of State for Communities and Local Government has specified PSAA as the appointing person for principal local government and police bodies, and, in accordance with the Act, PSAA will therefore appoint auditors and set scale audit fees for bodies that have opted into its national scheme.

During the course of 2017/18 PSAA plans to make a distribution of surplus funds to principal local government and police bodies. The distribution is made possible by the transfer of an element of the Audit Commission's retained earnings prior to its closure in March 2015 and by PSAA making further efficiencies since its establishment.

The work that auditors will carry out on the 2017/18 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.

The 2017/18 work programme documents and scale fees for individual audited bodies are now available on the PSAA website at [www.psaa.co.uk/audit-and-certification-fees/201718-work-programme-and-scales-of-fees/](http://www.psaa.co.uk/audit-and-certification-fees/201718-work-programme-and-scales-of-fees/)

# Local Audit (public access to Documents) Act 2017

### Level of impact: ● (For Information)

The *Local Audit (Public Access to Documents) Act 2017* (the Act) received royal assent on 27 April 2017. The Act extends rights of inspection under section 26 of the *Local Audit and Accountability Act 2014* to include journalists and citizen journalists.

The Act defines a journalist as 'any person who produces for publication journalistic material (whether paid to do so or otherwise).' Committee members will wish to note that while the Act extends rights of inspection, there are no changes in respect of auditors' additional powers and duties; the rights under the *Local Audit and Accountability Act 2014* to ask the auditor questions about the accounts, and to make an objection at audit, continue to be restricted to local government electors only.



# NAO Report – Progress in setting up combined authorities

### Level of impact: ● (For Information)

In July, the NAO published its report on *Progress in setting up combined authorities* which concludes that for combined authorities to deliver real progress they will need to demonstrate that they can drive economic growth and contribute public sector reform.

These authorities have inherently complex structures and are not uniform. They vary in the extent of the devolution deals they have struck with government. The combined authority with the greatest degree of devolution, Greater Manchester, has now absorbed control over the office of the police and crime commissioner and fire and rescue services. Others are currently primarily focused on transport issues, as well as housing and regeneration.

The report highlights a number of risks including:

- local councillors will have limited capacity for the overview and scrutiny of combined authorities. Furthermore, in May 2017, six mayors were elected to combined authorities in England, with candidates having campaigned on manifestos which frequently made policy commitments beyond the current remits of these organisations. This raises the question of whether mayors can be credible local advocates if they only deal with the limited issues under the remit;
- a number of authorities have been unable to bring local authorities together to establish combined authorities, while areas with a long history of working together have often found it most straightforward to establish combined authorities;
- the capacity of most combined authorities is currently limited and the lack of geographical coherence between most combined authorities and other providers of public services could make it more problematic to devolve more public services in the future; and
- if the United Kingdom’s departure from the European Union (EU) results in reductions in regional funding, the economic regeneration role of combined authorities would become more pressing. Combined authorities are generally in areas which receive the most EU funding. The North West, for example, is scheduled to receive in excess of 1 billion euros in European Regional Development Funds, European Social Fund, and Youth Employment allocations between 2014 and 2020.

The report is available on the NAO website at [www.nao.org.uk/report/progress-in-setting-up-combined-authorities/](http://www.nao.org.uk/report/progress-in-setting-up-combined-authorities/)

# PSAA's Value for Money tool

Level of impact: ● (For Information)

Public Sector Audit Appointments Ltd (PSAA) further updated their Value for Money Profiles tool (VFM Profiles) on 4 August 2017.

The VFM profiles have been updated with the latest available data for the following data sources:

- Alcohol related admissions to hospital (2015/16)
- Attainment by age 19 (2015/16)
- Claimant count (2017)
- Climate change statistics (2015)
- Collection rates for council tax and non-domestic rates (2016/17)
- Conception statistics (2015)
- Council tax demands and precepts statistics (2017/18)
- Delayed transfers of care (Q1 2017)
- Fire and rescue service statistics (2016)
- First time entrants into the youth justice system (2015/16)
- Fly tipping incidents and actions (2015/16)
- Fuel poverty (2015)
- Homelessness statistics (2016/17)
- Mid-year population estimates (2016)
- National road maintenance condition survey (2015/16)
- NHS health check data (2016/17)
- Pupil absence in schools (2015/16)
- School capacity (2016)
- Schools, pupils and their characteristics (2016/17)

The tool can be accessed through the PSAA website at [http://vfm.psa.co.uk/nativeviewer.aspx?Report=/profiles/VFM\\_Landing](http://vfm.psa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing)

# NAO homelessness report

### Level of impact: ● (For Information)

The NAO has published a report on Homelessness which may be of interest to members in considering bodies' arrangements to secure value for money.

The report finds that homelessness has increased across all measures since 2010, with many local authorities now seeing it as a risk to their financial sustainability. It also finds that government has not evaluated the impact of its welfare reforms on homelessness, or the impact of the mitigations that it has put in place.

The report details the increase in statutory homelessness in England in recent years, and identifies the factors driving this. It notes that although the Department for Communities and Local Government (DCLG) is responsible for tackling homelessness, during its increase, DCLG took a light touch approach to working with local authorities. This contrasts with the more interventionist approach that it has taken during previous periods of high homelessness. Although DCLG requires each local authority to have a homelessness strategy, it does not monitor their content or their progress.

DCLG has supported new legislation that will increase the responsibilities of local authorities in preventing homelessness. The Homelessness Reduction Act 2017 aims to give local authorities more responsibility for preventing homelessness. DCLG expects that these responsibilities will lead to an increase in prevention cases and a fall in the number of households that qualify for temporary accommodation.

The report finds that the ability of local authorities to respond to increased homelessness is constrained by the limited options they have to house homeless families. As set out in the NAO's assessment of the housing market in Housing in England: overview, there has been a significant reduction in social housing over the past few decades. While spending by local authorities on homelessness services such as temporary accommodation has steadily increased since 2010, spending on overall housing services has fallen by 21% in real terms over the same period. The proportion of homeless households in temporary accommodation outside their home borough increased from 13% in March 2011 to 28% in March 2017. Almost 90% of these households are from London boroughs.

The Homelessness report is available from the NAO website.

# CIPFA/LASAAC statement on the adoption of IFRS 9 Financial Instruments

**Level of impact:** ● (For Information)

Members may wish to be aware that the Chartered Institute of Public Finance and Accountancy Local Authority Code Board (CIPFA LASAAC) has published a statement on the adoption of IFRS 9 Financial Instruments.

IFRS 9 will be adopted in the 2018/19 local government accounting code.

Members may wish to consider the effect of the adoption of IFRS 9 on the financial statements for 2018/19.

# PSAA's consultation on 2018-19 scale of fees for opted-in bodies

### Level of impact: ● (For Information)

Public Sector Audit Appointments (PSAA) has published its consultation on the 2018-19 scale of fees for principal local government and police bodies that have opted into the appointing person arrangements.

The consultation is available on the PSAA website at: <https://www.psa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/>

The consultation proposes that scale audit fees for 2018-19 should reduce by 23 per cent, compared to the fees applicable for 2017-18. More details on the proposals are set out in the consultation document.

Proposed 2018-19 scale fees for individual opted-in bodies, based on the 23 per cent reduction, are listed on the website and are accessible through the following links:

- Local government: <https://www.psa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/proposed-individual-scale-fees-for-local-government-bodies/>
- Local police bodies: <https://www.psa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/proposed-individual-scale-fees-for-police-bodies/>
- Pension fund audits: <https://www.psa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/proposed-individual-scale-fees-for-pension-funds/>

# PSAA's report on the results of auditors' work 2016-17

### Level of impact: ● (For Information)

Public Sector Audit Appointments Ltd (PSAA) published its Report on the results of auditors' work 2016/17: Local government bodies on Tuesday 19<sup>th</sup> December.

This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016-17. The report covers the timeliness and quality of financial reporting, auditors' local value for money arrangements work, and the extent to which auditors used their statutory reporting powers.

The timeliness and quality of financial reporting for 2016-17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies.

Compared with 2015-16, the number of principal bodies receiving an unqualified audit opinion by 31 July showed an encouraging increase. 83 principal bodies (17 per cent) received an unqualified opinion on the accounts by the end of July compared with 49 (10 per cent) for 2015-16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017-18 accounts.

Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015-16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new timetable. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.

For the fourth year in a row there have been no qualified opinions on the accounts issued to date to principal bodies. The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015-16.

The complete report is available publically on the PSAA website: <https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

## Technical developments

# Investigation into the governance of Greater Cambridge Greater Peterborough Local Enterprise Partnership

### Level of impact: ● (For Information)

The NAO has conducted an investigation into the governance of Greater Cambridge Greater Peterborough Local Enterprise Partnership. The investigation was prompted by concerns raised about the Partnership.

The role of Local Enterprise Partnerships (LEPs) continues to grow, and it may be noted that government has given LEPs a key role in the recently published Industrial Strategy to lead the development of Local Industrial Strategies.

Information on the UK's Industrial Strategy can be found at the following link: <https://www.gov.uk/government/topical-events/the-uks-industrial-strategy>

The Department for Communities and Local Government (DCLG) carried out a national review of LEP governance and transparency. The review made a number of recommendations for improvement.

The review, published on 26 October 2017, with the aim of providing sufficient assurance to the Accounting Officer's and ministers that LEPs fully implement existing requirements for appropriate governance and transparency.

A full copy of the report can be found at the following link: <https://www.gov.uk/government/publications/review-of-local-enterprise-partnership-governance-and-transparency>



# Appendix



## Appendix 1

# 2017/18 audit deliverables

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	April 2017	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2018	To be presented at this meeting
<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 2018 (if required)	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.	July 2018	TBC

## Appendix 1

# 2017/18 audit deliverables (cont.)

Deliverable	Purpose	Timing	Status
<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).	July 2018	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	July 2018	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	September 2018	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 2018	TBC



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