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External audit progress report and technical update

Doncaster MBC

April 2014



This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

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Progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report

Area of responsibility	Commentary
<p>Financial statements</p>	<p><i>Our interim audit is currently taking place. We recognise the challenges being faced by the Council in implementing the ERP system and this is a focus of our work.</i></p> <p><i>Our review of the bank reconciliation found high volumes and value of un-reconciled items. We recognise that additional resources have been allocated to clearing the un-reconciled items so that items are followed up in readiness for the year end accounts closure.</i></p> <p><i>During our audit, we noted that consultants are designing a number of bespoke reports which are essential to the closedown process and to our audit. Once these reports are developed the finance team have plans in place to test the reports and undertake a hard close to ensure readiness for closedown of the accounts. As the timescale to produce the reports has slipped, the timing of the hard close has had to be re-scheduled. The finance team will need to manage the risks to ensure that the closedown timetable is still achievable.</i></p> <p><i>Journal authorisation controls have been introduced during the year but there is still a need to formally document the procedures.</i></p> <p><i>KPMG IT specialists are currently undertaking a review of the implementation of the new ERP system covering:</i></p> <ul style="list-style-type: none"> <i>• the management of the project and data migration;</i> <i>• business as usual IT environment controls supporting post implementation.</i> <p><i>Our review of project management and data migration has been completed and we are now finalising our report. We have seen evidence of the controls to support the majority of the defined steps but have identified some improvement points. All of the points raised have been accepted and responded to by the Financial System Manager and remedial plans have been identified.</i></p> <p><i>Our review over business as usual IT environment controls supporting the new system is nearing completion.</i></p> <p><i>We will provide a full update report once our interim audit is complete.</i></p>

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.


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Area of responsibility	Commentary
Value for Money	<i>We have commenced our initial review against the value for money criteria . Our work is focusing on your 2014/15 – 2016/17 savings plans, the outcomes of your review the Digital Region Project to identify lessons learnt and progress in transferring Children’s Services to a Children’s Trust. We will also assess the impact of the issues within Children’s Services upon our value for money conclusion.</i>
Certification of claims and returns	<i>We have not certified any claims or returns since we reported our findings in January 2014. Our work on grant claims is planned to commence with housing benefits in June 2014 and work on other claims will be carried out later in the year.</i>
Other work	<i>Our Public Sector Pensions Team have carried out a review of actuarial assumptions arising from the recent tri-annual review carried out by the Authority’s actuary. The results of this review have been provided to management for consideration.</i>



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Technical update

Area	Level of Impact	Comments	KPMG perspective
Final local government finance settlement 2014/15	 High	<p>On 5 February 2014 the Government published the final local government finance settlement for 2014/15. In addition, the Government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum.</p> <p>For more information, visit https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2014-to-2015</p>	<p><i>The committee may wish to consider the progress the Council has made on addressing the funding cuts and the impact this has on services later in the year.</i></p> <p><i>It should be noted that the Scrutiny Committee is looking at these issues.</i></p>

Area	Level of Impact	Comments	KPMG perspective
CIPFA/LASAAC consultation – schools accounting	 Medium	<p>On 21 February 2014, CIPFA/LASAAC released the single issue consultation – Accounting for Schools in Local Authorities in England and Wales relating to the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom.</p> <p>For more information, visit http://www.cipfa.org/SingleIssueITCAccountingforSchoolsinLocalAuthorities.</p> <p>The consultation paper seeks views on the report of the Joint HM Treasury and CIPFA/LASAAC <i>Public Sector Accounting for Schools Working Group – The Accounting Treatment of Local Authority Maintained Schools in England and Wales</i>. It also provides an exposure draft addendum to the 2014/15 Code and an invitation to comment for public consultation. The 2014/15 Code will apply to accounting periods starting on, or after, 1 April 2014.</p> <p>This consultation will close on 4 April 2014.</p>	<p><i>The committee may wish to consider whether the Council has responded to the consultation</i></p>

Area	Level of Impact	Comments	KPMG perspective
Annual fraud and corruption survey 2013/14	<p style="text-align: center;">●</p> <p style="text-align: center;">Low</p>	<p>On 7 April 2014 the Audit Commission plans to issue its annual fraud and corruption survey to local authorities.</p> <p>The survey will ask officers for information about all detected fraud and corruption for the financial year 2013/14, and, as in previous years, the intention is to carry this out under section 48 of the Audit Commission Act 1998. The survey will be open for officers to complete and submit between 7 April 2014 and 16 May 2014.</p> <p>As in previous years, auditors will be asked to review the data for consistency with their existing knowledge of the Council.</p>	<p><i>The Authority should put arrangements in place to capture the information required for the survey and complete it before the deadline</i></p>
Local authority Fraud Briefings	<p style="text-align: center;">●</p> <p style="text-align: center;">Low</p>	<p>The Audit Commission has developed fraud briefings that are individually tailored presentations for London boroughs, metropolitan and unitary authorities, county councils and district councils. Fraud briefings will contain comparative information on each council's fraud detection results and we will make these available to support auditors' communications with those responsible for governance in each council.</p> <p>The Fraud Briefings have been developed by the Commission's counter-fraud team and provide contextual and comparative benchmark data.</p>	<p><i>We plan to present the findings of fraud briefing to the July Audit Committee</i></p>

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

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

Area	Level of Impact	Comments
Administration of Benefits, including overpayments, cost councils £829m (Audit Commission article)	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>Councils administer housing benefit on behalf of central government. They also administered council tax benefit until it was replaced in April 2013 by local council tax support schemes. Councils' local arrangements, such as how quickly, accurately and efficiently they process claims, affect the amount they spend administering benefits and the amount of subsidy they receive from the Department for Work and Pensions (DWP). By improving their performance, councils can reduce their costs, which are in excess of £800 million per year.</p> <p>Read the full article http://www.audit-commission.gov.uk/2014/01/administration-and-overpayment-of-benefits-cost-councils-829-million/</p>
High central costs in some councils need greater scrutiny (Audit Commission article)	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The Audit Commission has published new analysis of data on English councils' central management costs in its briefing, Councils' Centrally Managed Spending: Using Data From the Value for Money Profiles. Overall spending on corporate and democratic management reduced by 13 per cent from 2003/04 to 2012/13, while spending on central management support to services increased by 10 per cent. However, gaps and inconsistencies in councils' recorded spending in these areas will, the Commission says, hinder councils' attempts to identify savings and undermines accountability to taxpayers. As a result, the Commission is calling for greater local scrutiny and more consistent reporting by councils of their central management spending.</p> <p>Read the full article http://www.audit-commission.gov.uk/2014/02/high-central-costs-in-some-councils-need-greater-scrutiny-2/</p> <p>Doncaster Metropolitan Council are currently reviewing central costs.</p>

Area	Level of Impact	Comments
Childrens social care: the case for early intervention (CIPFA article)	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>“Children’s social care is a politically sensitive and emotive area. Yet under the austerity measures, it has seen increased demand, to be met by a smaller pool of funding. Department for Education (DfE) Statistics show over the past three years, referrals to children’s social care have risen steadily, a growth of 12.43 per cent from 2008/09 to 2010/11. The reasons why demand is increasing needs to be examined – and, if possible, the causes addressed – in order to stem the rising tide.”</p> <p>Read the full article http://www.cipfa.org/policy-and-guidance/articles/childrens-social-care-the-case-for-early-intervention</p>
Court of Appeal ruling on service cut	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The Court of Appeal has ruled that North Somerset Council acted unlawfully when, in 2012, it cut youth services by more than 70 per cent over a three-year period.</p> <p>Lord Justice Rimer said:</p> <ul style="list-style-type: none"> • there was no sufficient evidence entitling the High Court judge to conclude that the Council had taken the steps required by section 507B(9) of the Education Act 1996 to ascertain the required views of qualifying young people about the proposal to cut funding; and • there was no evidence that the Council had complied with its requirements under section 149 of the Equality Act 2010 regarding equality impact assessments, and as such the public sector equality duty had not been discharged. <p>However, the judges declined to grant a quashing order over the decision, deciding that it was “now too late to unwind what has been done”.</p>
Auditing the Accounts 2012/13: Local government bodies (Audit Commission report)	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>On Thursday 12 December 2013, the Audit Commission published its Auditing the Accounts 2012/13: Local government bodies report. The report summarises the quality and timeliness of financial reporting by principal and small bodies. Principal bodies include councils, police authorities, fire and rescue authorities, and other local government bodies. Small bodies include parish councils and internal drainage boards.</p> <p>The report covers the timeliness and quality of financial reporting and summarises:</p> <ul style="list-style-type: none"> • auditors’ work on the 2012/13 financial statements; • auditors’ work on the Whole of Government Accounts returns; • auditors local value for money work; • the public interest reports and statutory recommendations issued by auditors since our last report, issued in December 2012; and • the key financial reporting and financial management challenges facing bodies for 2013/14. <p>The report can be found at: http://www.audit-commission.gov.uk/ata1213e</p>

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

Area	Level of Impact	Comments
<p>Councils show financial resilience, but must continue adapting (Audit Commission report)</p>	<p>● For information</p>	<p>The Audit Commission's latest research, Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14, shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. But, the Commission says, with uncertainty ahead, councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.</p> <p>The report can be viewed at: http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf</p>



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Appendix

Appendix 1 – 2013/14 Audit deliverables

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We discuss and agree each report with the Council's officers prior to publication.

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	November 2013	Issued
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2014	Issued
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 Council's arrangements for securing value for money in the use of its resources.	June 2014	In progress
Substantive procedures			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2014	TBC
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2014	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2014	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2014	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2014	TBC



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