



# Technical update

**Incorporating the External Audit Progress Report**

**Leicester City Council**

**October 2016**

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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 and Risk 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>	<p>Since the Audit Committee meeting on 27 September 2016 we have:</p> <ul style="list-style-type: none"> <li>issued an unqualified opinion on your 2015/16 accounts on 29 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year;</li> <li>Issued our certificate on 20 October 2016 confirming that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit &amp; Accountability Act 2014 and the Code of Audit Practice;</li> <li>produced our 2015/16 Annual Audit Letter as required by the National Audit Office's Code of Audit Practice. The purpose of preparing and issuing the Annual Audit Letters is to communicate to external stakeholders, including members of the public, the key issues arising from auditors' work. This information will be published on the PSAA website and is attached as a separate paper for the Committee's information. We encourage you to publish this information on the Authority's website; and</li> <li>commenced our planning work for the 2016/17 audit. We met the Director of Finance on 12 September 2016 to to understand the current issues and priorities facing the Authority.</li> </ul>
<b>Value for Money</b>	<p>Also on 29 September 2016 we issued a qualified conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016. This was to recognise that the Authority is still working towards implementing all the recommendations in the March 2015 OFSTED report which concluded that childrens' services are inadequate. The Authority has made substantial progress in addressing the issues identified by OFSTED, but the latest "Dashboard of key indicators" showed that 7 out of 19 measures were still assessed as being inadequate/requiring improvement.</p>
<b>Certification of claims and returns</b>	<p>Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. Subject to matters arising from our certification work which is still in progress, we plan to conclude on the work by the deadline of 30 November 2016.</p>
<b>Other work</b>	<p>We have been asked to certify your pooling of housing capital receipts and teachers pensions returns. We expect to complete this work by 30 November 2016.</p>



# KPMG resources

# Publication 'Value of Audit - Perspectives for Government'

## What does this report address?

This report builds on the Global Audit campaign – *Value of Audit: Shaping the future of Corporate Reporting* – to look more closely at the issue of public trust in national governments and how the audit profession needs to adapt to rebuild this trust. Our objective is to articulate a clear opinion on the challenges and concepts critical to the value of audit in government today and in the future and how governments must respond in order to succeed.

Through interviews with KPMG partners from nine countries (Australia, Canada, France, Germany, Japan, the Netherlands, South Africa, the UK and the US) as well as some of our senior government audit clients from Canada, the Netherlands and the US, we have identified a number of challenges and concepts that are critical to the value of audit in government today and in the future.

## What are the key issues?

- The lack of consistent accounting standards around the world and the impacts on the usefulness of government financial statements.
- The importance of trust and independence of government across different markets.
- How government audits can provide accountability thereby enhancing the government's controls and instigating decision-making.
- The importance of technology integration and the issues that need to be addressed for successful implementation
- The degree of reliance on government financial reports as a result of differing approaches to conducting government audits

The *Value of Audit: Perspectives for Government* report can be found on the KPMG website at <https://home.kpmg.com/xx/en/home/insights.html>

The *Value of Audit: Shaping the Future of Corporate Reporting* can be found on the KPMG website at [www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx](http://www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx)



# Technical developments

# NAO Report on Capital Expenditure and Resourcing

Level of impact: ● (Low)	KPMG perspective
<p>Committee members may wish to be aware that the National Audit Office has published its report <i>Financial Sustainability of Local Authorities: Capital Expenditure and Resourcing</i>. This report found that local authorities in England have maintained their overall capital spending levels but face pressure to meet debt servicing costs and to maintain investment levels in their existing asset bases.</p> <p>The report can be accessed via the NAO website at <a href="http://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/">www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/</a></p>	<p><i>The Committee may wish to seek assurances that the impact for their Authority is understood.</i></p>

# PSAA's Value For Money Tool

Level of impact: ● (Low)	KPMG perspective
<p>The PSAA's Value for Money Profiles tool (VFM Profiles) was updated on 1 July 2016.</p> <p>The VFM profiles have been updated with the latest available data. The adult social care section has been re-designed based on the new adult social care financial return (ASC-FR). Data is available from 2014/15 onwards with no comparable data from earlier years. The children and young people section has also been updated with 2014/15 data.</p> <p>The VFM profiles have also been updated with the latest available data from the following sources:</p> <ul style="list-style-type: none"><li>— Adult Social Care Financial Return (new data collection) (2014/15)</li><li>— Referrals, assessments and packages of care for adults (RAP) (2014/15)</li><li>— Pupil numbers (2015)</li><li>— Provision for Children Under Five Years of Age in England (2015)</li><li>— Children in Care and Adoption Performance Tables (2014/15)</li><li>— Key Stage 2 Attainment (2014/15)</li><li>— GCSE and Equivalent Attainment by Pupil Characteristics in England (2014/15)</li><li>— Section 251 outturn data - Table A1 Children and young people services (2014/15)</li><li>— Section 251 outturn data - Table A Education budget (2014/15)</li><li>— Special Educational Needs in England (2014/15)</li><li>— Attainment by Age 19 (2014/15)</li><li>— Participation in Education, Training and Employment by 16-18 Year Olds in England (2015)</li><li>— Pupil Absence in Schools (2014/15)</li><li>— National road maintenance condition survey (2014/15)</li></ul>	<p><i>The Committee may wish to seek further understanding for areas where their Authority appears to be an outlier.</i></p>

## Technical developments

# PSAA's Value For Money Tool (cont.)

Level of impact: ● (Low)	KPMG perspective
<ul style="list-style-type: none"><li>— Proportion of bus services running on time (2014/15)</li><li>— Annual Population Survey (2015)</li><li>— Finance and General Statistics (2014/15)</li><li>— Revenue Collection (2014/15)</li><li>— Claimant count (2016)</li><li>— Affordable housing supply (2014-15)</li><li>— Active people survey (2014/15)</li><li>— Public Health Outcomes Framework (2014/15)</li><li>— Conception Statistics, England and Wales (2014)</li><li>— First time entrants into the Youth Justice system (2014/15)</li></ul> <p>The Value For Money Profiles can be accessed via the PSAA website at <a href="http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing">http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing</a></p>	

# Discharging Older Patients From Hospitals

Level of impact: ● (For Information)

On 26 May the NAO published a report, *Discharging older patients from hospitals*, which may be of interest to Committee members. The report is available from the NAO website at [www.nao.org.uk/report/discharging-older-patients-from-hospital/](http://www.nao.org.uk/report/discharging-older-patients-from-hospital/)

The report finds that the health and social care system's management of discharging older patients from hospital does not represent value for money. It also finds that keeping older people in hospital longer than necessary is an additional and avoidable pressure on the financial sustainability of the NHS and local government.

# Government contracting

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

The NAO has recently published an overview of its work on the government's management of contracting which Committee members may wish to be aware of, particularly in relation to value for money arrangements.

The publication examines subjects including the government's commercial capability, accountability and transparency, and its management of contracted-out service delivery. It finds that government now spends about £225 billion a year with private and voluntary providers. The role of providers in the public sector has evolved from relatively simple contracts to provide goods or established services, to innovative high profile commissioning arrangements in sensitive public service areas such as health and justice

The overview is available from the NAO website at [www.nao.org.uk/report/government-commercial-and-contracting-an-overview-of-the-naos-work/](http://www.nao.org.uk/report/government-commercial-and-contracting-an-overview-of-the-naos-work/)

# Devolution

Level of impact: ● (For Information)

In spring 2016, the NAO published its report *English devolution deals*. This report finds that devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended.

The report is available free of charge and the full version or a summary can be accessed at [www.nao.org.uk/report/english-devolution-deals/](http://www.nao.org.uk/report/english-devolution-deals/)



# Appendix

## Appendix 1

# 2015/16 audit deliverables

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	April 2015	Done
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2016	Done
<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.	September 2016	Done
<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).	September 2016	Done
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	October 2016	Done
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	October 2016	Done
<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.	January 2017	TBC



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