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# External audit progress report and technical update

London Borough of Brent  
January 2015



## External audit progress report and technical update – January 2015

**This report provides the Audit Committee with an overview on progress in delivering our responsibilities as your external auditors.**

**Within it we will flag publications/articles that we believe may be of interest to the Committee.**

**The report also highlights 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.**

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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.

<b>2013/14 financial year</b>	<p>We have completed our audit for the 2013/14 financial year since the last Audit Committee by:</p> <ul style="list-style-type: none"> <li>▪ Certified your Housing Benefit subsidy claim – details of the findings are included in our grant claim and return report:</li> <li>▪ Issued our Grant claim and return report – included as a separate item on the agenda: and</li> <li>▪ Given our report on your Teachers' Pension return. The return was qualified as our sample included a teacher who left on 5 April 2013 and the contribution rate used to calculate the employee's deduction for these 5 days was made at the 2012/13 rate of 7.6% rather than the 2013/14 rate of 8.8%. Testing on contribution rates for other teachers in the sample did not identify any other errors.</li> </ul>
<b>Summary of work performed by KPMG for 2014/15 financial year to date and for the next quarter</b>	<p>We will update our risk assessments as part of our preparation for our detailed planning work in the next quarter to determine our audit plans for the Authority and the Pension Fund. This will include a detailed review of Authority's minutes, discussions with senior officers and consideration of changes in legislation and accounting requirements.</p> <p>In line with auditing standards, we will present our detailed annual plan to the Audit Committee in March 2015. This will highlight the key risks to our audit at the planning stage and our response to these for the Authority and Pension Fund in 2014/15.</p> <p>We will also carry out our VFM conclusion risk assessment and use the updated guidance issued by the Audit Commission in October 2014. The scope of the assessment is consistent with that in previous years and will focus on your arrangements for securing financial resilience and ensuring economy, efficiency and effectiveness in your use of resources. We will discuss any specific significant risks to the VFM conclusion with senior officers and highlight our planned response and any additional work required</p> <p>There are no audit concerns that we need to raise with the Audit Committee in relation to the audit of the accounts or the VFM conclusion from our knowledge to date.</p>
<b>Audit fee update for 2014/15</b>	<p>The proposed audit fee for 2014/15 remains at £263,520 for the Authority's audit and £21,000 for the Pension Fund.</p>

Area	Comments
<p><b>KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years</b></p>	<p>Without a radical programme of house building, average house prices in England could double in just ten years to £446,000, according to new research. In twenty years they could quadruple, with the average house price estimated to rise to over £900,000 by 2034 if current trends continue.</p> <p>The research from KPMG and Shelter also reveals that more than half of all 20-34 year olds could be living with their parents by 2040, as soaring housing costs caused by the shortage of affordable homes leave more and more people priced out of a home of their own.</p> <p>The warning comes as KPMG and Shelter launch a landmark new report, outlining how the 2015 government can turn the tide on the nation's housing shortage within a single parliament. With recent government figures showing that homeownership in England has been falling for over a decade, the consequences of our housing shortage are already being felt.</p> <p>The report sets out a blueprint for the essential reforms that will increase the supply of affordable homes and stabilise England's rollercoaster housing market. It calls on politicians to commit to an integrated range of key measures, including:</p> <ul style="list-style-type: none"> <li>■ Giving planning authorities the power to create 'New Homes Zones' that would drive forward the development of new homes. Combined with infrastructure, this would be led by local authorities, the private sector and local communities, and self-financed by sharing in the rising value of the land.</li> <li>■ Unlocking stalled sites to speed up development and stop land being left dormant, by charging council tax on the homes that should have been built after a reasonable period for construction has passed.</li> <li>■ Introducing a new National Housing Investment Bank to provide low cost, long term loans for housing providers, as part of a programme of innovative ways to finance affordable house building.</li> <li>■ Helping small builders to get back into the house building market by using government guarantees to improve access to finance.</li> <li>■ Fully integrating new homes with local infrastructure and putting housing at the very centre of City Deals, to make sure towns and cities have the power to build the homes their communities need.</li> </ul> <p>To read the report, visit <a href="https://portal.ema.kworld.kpmg.com/uk/Documents/NewsroomDocs/2014/KPMG%20Shelter%20report%20FINAL.pdf">https://portal.ema.kworld.kpmg.com/uk/Documents/NewsroomDocs/2014/KPMG%20Shelter%20report%20FINAL.pdf</a>.</p> <p>For more information, please contact either Phil Johnstone or Steve Lucas.</p>

Area	Level of Impact	Comments
<b>National Audit Office consultation: Draft Code of Audit Practice for the audit of local public bodies</b>	<p style="text-align: center;">● <b>For information</b></p>	<p>On Friday 19 September 2014 the National Audit Office (NAO) launched its consultation on the draft Code of Audit Practice for the audit of local public bodies. Subject to Parliamentary approval, the Code will take effect from 1 April 2015 for audit work relating to the 2015/16 financial year onwards.</p> <p>The NAO sought views and comments on the draft Code. In particular, the views of audited bodies were sought on how valuable the work carried out each year on value-for-money arrangements is. The closing date for consultation responses was 31 October 2014.</p> <p>For more information visit <a href="http://www.nao.org.uk/keep-in-touch/our-surveys/consultation-code-audit-practice/">http://www.nao.org.uk/keep-in-touch/our-surveys/consultation-code-audit-practice/</a></p>
<b>Invitation to Comment and Simplification and Streamlining the Presentation of Local Authority Financial Statements</b>	<p style="text-align: center;">● <b>For information</b></p>	<p>CIPFA and CIPFA/LASAAC have recently consulted on the Simplification and streamlining of the presentation of local authority financial statements.</p> <p>The consultation focused on the reporting of local authority performance and therefore on the comprehensive income and expenditure statement, the movement in reserves statement and the segmental reporting requirements specified in the Code of practice on local authority accounting in the United Kingdom. As an important part of reporting performance, it also considered the narrative reporting requirements which would accompany the financial statements.</p> <p>The consultation closed on 19 September 2014.</p>
<b>Consultation on Local Government Pension Scheme</b>	<p style="text-align: center;">● <b>For information</b></p>	<p>The government has continued to consult on new governance arrangements and how the costs of schemes can be controlled, and sought responses from interested parties on the draft (pension) regulations.</p> <p>The consultation closed on 21 November 2014.</p> <p>Further information can be found at <a href="http://www.lgpsregs.org/images/Drafts/2014-10BetterGov.pdf">http://www.lgpsregs.org/images/Drafts/2014-10BetterGov.pdf</a></p>

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<b>Council tax and business rates income rises, despite £4.55 billion uncollected</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>The Audit Commission has published Council tax and business rates collection: an update (November 2014), using publicly available data from its Value for Money (VFM) Profiles Tool. The update to two previous briefings, examining English councils' collection rates and costs of collecting council tax and business rates, reveals that £4.55 billion remained unpaid at the end of March 2014. The uncollected £4.55 billion is equivalent to the cost of building close to 300 secondary schools.</p> <p>The report can be found at <a href="http://www.audit-commission.gov.uk/2014/11/council-tax-and-business-rates-exceed-targets-despite-4-55-billion-uncollected/">http://www.audit-commission.gov.uk/2014/11/council-tax-and-business-rates-exceed-targets-despite-4-55-billion-uncollected/</a></p>
<b>Highest value of fraud detected by Councils since Audit Commission started collecting records</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>Fraud valued at £188 million was detected by England's councils in 2013/14, a ten-fold increase since 1990. The figure beats all records for the past 25 years, the Audit Commission revealed in its latest report on fraud in local government. <a href="#">Protecting the Public Purse 2014 Fighting Fraud against Local Government</a>, the final one being issued before the Commission closes at the end of March 2015, looks at the landscape of fraud against councils and how this has changed since 1990, when the Audit Commission first turned the spotlight on to local government fraud with its 'Protecting the Public Purse' reports.</p> <p>The report can be found at <a href="http://www.audit-commission.gov.uk/2014/10/highest-value-of-fraud-detected-by-councils-since-audit-commission-turned-the-spotlight-on-25-years-ago/">http://www.audit-commission.gov.uk/2014/10/highest-value-of-fraud-detected-by-councils-since-audit-commission-turned-the-spotlight-on-25-years-ago/</a></p>
<b>Audit fee consultation</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>The Audit Commission is consulting on reducing audit fees for local public bodies by £30 million from 2015 to 2017.</p> <p>The Commission launched its <a href="#">final consultation on work programme and scales of audit fees</a> relating to the 2015/16 financial year. The fees will reduce by 25 per cent, following the Commission's retendering in March 2014 of the work done under its older contracts. The latest reduction is in addition to the 40 per cent drop in fees made by the Commission in 2012.</p>
<b>Public Accounts Committee report – Local government funding: assurance to Parliament</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>The Public Accounts Committee has published a report on funding for local authorities. This found that whilst the Department for Communities and Local Government (DCLG) has increased flexibility for local government spending, allowing local authorities to use government funding according to local priorities, DCLG cannot be sure that the local accountability system is ensuring that local authorities are achieving value for money with their funding.</p> <p>The report can be found at <a href="http://www.publications.parliament.uk/pa/cm201415/cmselect/cmpublic/456/456.pdf">http://www.publications.parliament.uk/pa/cm201415/cmselect/cmpublic/456/456.pdf</a></p>

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<b>VFM data briefing on expenditure on looked after children</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>The Audit Commission has published Councils' expenditure on looked after children, the latest in its series of VFM data briefings analysing data in the VFM profiles.</p> <p>The briefing reports that, although the number of looked after children increased by 12 per cent between 2008/09 and 2012/13, councils' expenditure increased by only 4 per cent. Reductions in the daily cost of care and an increase in the proportion of children receiving foster care saved a total of £239 million, partially offsetting the spending pressure arising from the increased number of children in care.</p> <p>The briefing looks in more detail at some of the factors which influence how much councils spend on foster care and encourages councils to use the VFM Profiles to compare their costs with those of similar councils.</p> <p>The briefings can be found at: <a href="http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2">http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2</a></p>
<b>Tool launched to help councils compare care performance on social care</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>The Department of Health has launched a new tool to help councils compare their performance on social care with similar areas across England. The tool groups upper tier and unitary authorities by their spending on the over-65s and working age adults with learning disabilities. The aim is to help local authorities see how they are meeting various indicators, and to identify areas for improvement by viewing the performance of their peers.</p> <p>The tool can be found at: <a href="https://www.gov.uk/government/publications/adult-social-care-efficiency-tool">https://www.gov.uk/government/publications/adult-social-care-efficiency-tool</a></p>
<b>Government plans to regulate public sector exit payments</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>The government has recently consulted on proposals to ensure exit payments are recovered when high earners return to the same part of the public sector within twelve months of leaving. The proposed provisions will be included in the Small Business, Enterprise and Employment Bill.</p> <p>The consultation outlined the government's proposal to underpin exit payment recovery across the public sector. The government expects any changes brought about following this consultation to support existing or on-going changes to exit payment arrangements to ensure they are fair and promote value for money more widely.</p> <p>More information can be found at <a href="https://www.gov.uk/government/consultations/recovery-of-public-sector-exit-payments">https://www.gov.uk/government/consultations/recovery-of-public-sector-exit-payments</a></p>

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<b>The NAO's role in local audit</b>	● For information	<p>The National Audit Office (NAO) is taking on new responsibilities in the new framework for the audit of local bodies. The NAO has produced a leaflet which provides information on its new role, examples of its recent value for money work focused on local services, and contact details for you to provide views and suggestions or to ask questions about its work.</p> <p>For more information, visit <a href="http://www.nao.org.uk/report/the-naos-role-in-local-audit/">http://www.nao.org.uk/report/the-naos-role-in-local-audit/</a></p>
<b>Local government funding: Assurance to Parliament (NAO report)</b>	● For information	<p>A recent NAO report examines how the Department for Communities and Local Government (DCLG) has implemented and oversees the assurance framework that enables departments to assure Parliament on funding for local authorities following the changes in the 2010 Spending Review to give local authorities more control over their funding. The report finds that under current arrangements DCLG's monitoring information gives limited insight into whether value for money is being achieved in practice. It also suggests that departments should assess whether continuing to fund local authorities through un-ringfenced targeted grants is appropriate in the context of a locally-defined approach to achieving value for money.</p> <p>To view the report, visit <a href="http://www.nao.org.uk/report/local-government-funding-assurance-to-parliament/">http://www.nao.org.uk/report/local-government-funding-assurance-to-parliament/</a></p>
<b>Maintaining strategic infrastructure: roads (NAO report)</b>	● For information	<p>The NAO has published a report on Maintaining strategic infrastructure: roads. This report highlights how the lack of predictability of funding for highways authorities has practical implications for the roads network and may lead to increased costs in the long term. Although the report focuses primarily on central government responsibilities it may be of interest to you for your highways management responsibilities.</p> <p>To read the report, visit <a href="http://www.nao.org.uk/report/maintaining-strategic-infrastructure-roads/">http://www.nao.org.uk/report/maintaining-strategic-infrastructure-roads/</a></p>
<b>Tenfold difference in outsource spending revealed (Local Government Chronicle article)</b>	● For information	<p>"Exclusive analysis has revealed a tenfold difference in the amount councils spend per head of population on outsourced services.</p> <p>Figures from a database of councils' published receipts for 2012-13 show a huge gulf in the amount spent by top-tier councils with organisations in the private, public and voluntary sectors. Wigan MBC spent just £116 with outside providers per head of population, compared with over £1,000 at several London boroughs and £1,450 at Southend BC.</p> <p>The data, compiled by research firm Porge and analysed by Local Government Chronicle, presents a broad picture of the total trade top-tier councils carried out with other organisations, based on all published receipts for expenditure over £500. It shows councils spent £30.5bn with outside providers in 2012-13. Alongside classic outsourcing expenditure, such as waste contracts, this includes capital schemes such as house building and payments to financial institutions."</p>



## Appendix 1 – 2014/15 Audit deliverables – Authority and Pension Fund

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year.	April 2014	Issued April 2014
External audit plan	Outline our audit strategy and planned approach. Identify areas of audit focus and planned procedures.	March 2015	Not yet due
<b>Interim</b>			
Interim progress update – progress 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 Authority's arrangements for securing value for money in the use of its resources.	June 2015	Not yet due
<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 Authority's value for money arrangements.	Draft August 2015 Final September 2015	Not yet due
<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 2015	Not yet due
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2015	Not yet due
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	October 2015	Not yet due
<b>Certification of claims and returns</b>			
Certification of claims and returns	Summarise the outcomes of certification work on your claims and returns.	December 2015	Not yet due



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