



External Audit Progress Report and Technical Update

Nottinghamshire County Council and Pension Fund

May 2017

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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 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
Financial statements	<p>In order to form our opinion on the Authority and Pension Fund's financial statements, we review the key financial systems across the organisation to gain assurance over the design and implementation of the controls in place that address the key risks within each system. The strength of the control framework informs the substantive testing we complete during our final accounts visit.</p> <p>This work was completed at our interim visit in March this year. As part of this, we also completed an assessment of the general IT controls in place at the Authority. In addition we completed our review of the financial systems in place for the Pension Fund.</p> <p>We have not identified any specific control weaknesses that we would like to bring to your attention at this stage, however the assessment of the general IT controls is in progress, and we are yet to conclude on the testing undertaken.</p> <p>The final accounts visit is due to take place in June 2017. The timetable has been brought forward in order to prepare for the change in reporting deadlines for the 2017/18 audit year.</p>
Value for Money	<p>Our value for money work is in progress and is due to be completed in July 2017.</p> <p>As part of this process we have been meeting with senior officers in the Authority to discuss in more detail the value for money arrangements and future challenges facing their respective department. The results of these discussions will feed into our 2016/17 Value for Money conclusion.</p> <p>This work has also involved reviewing the Authority's Committee papers and budget monitoring reports, and will include review of the final outturn position.</p>
Other work	<p>We have completed the certification work on the Teachers' Pensions return since our last progress update in November 2016. Our work was completed in accordance with the grant certification instructions and issued to the Teachers' Pensions Authority.</p>



Technical developments

Highways Network Assets

Level of impact: ● (Medium)	KPMG perspective
<p>On Wednesday 8 March 2017, the CIPFA/LASAAC Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. This follows its decision in December 2016 to delay the implementation until at least the 2017/18 financial year.</p> <p>The Board took the decision not to proceed because the benefits are outweighed by the costs of implementation for local authorities. Another factor was the absence of central support for key elements of the valuation.</p> <p>The update to the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the accounting code) has also been issued which confirms the removal of the requirement for 2016/17.</p> <p>Further information can be found on the CIPFA website at www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/ifrsbased-code-of-practice-on-local-authority-accounting-in-the-united-kingdom-the-code</p>	<p><i>The Committee is asked to note CIPFA's decision.</i></p>

Comptroller and Auditor General (C&AG) keynote speech: 'The implications of central decision-making on the delivery of frontline services'

Level of impact: ● (For Information)

The Comptroller and Auditor General (C&AG), Sir Amyas Morse, gave a keynote speech in February 2017 on *The implications of central decision-making on the delivery of frontline services* at the Strand Group, the Policy Institute at King's College London's signature seminar series.

Drawing on his unique perspective looking across the whole of the public sector, the C&AG explored some of the elements of strategic financial management and planning that influence the success of major reform programmes in connected systems.

The speech examined how central government introduces reforms to locally delivered services to achieve its policy objectives, and the effect of its approach on funding, budgeting and efficiency.

Using the examples of local government, adult social care, and the NHS in England, the C&AG argued that the focus of local public services has shifted from providing 'more for less' to providing 'less for less', and that the lack of joined-up decision-making and funding arrangements between connected systems can often lead to consequences such as:

- unforeseen conflicting objectives for local bodies;
- cost shunting between parts of connected systems; and ultimately; and
- risks of financial, or service, failure locally.

The C&AG explained how year-on-year funding reductions can impact on the accessibility and quality of the services provided, not only for the local government sector, but across the health and social care system more widely.

The C&AG concluded that central government can do more to understand how assumptions about the efficiencies that may be available are likely to affect their objectives across public services, to help them promptly manage major risks. He urged those in the centre to do more to look outside of their 'silos' to understand the complexity and interconnectedness of the environment they are seeking to reform.

Finally, he encouraged central government to work more closely with local bodies to ensure that funding and decision-making arrangements drive not only economy and efficiency, but also effectiveness.

The full transcript of the speech is available on the NAO website at www.nao.org.uk/wp-content/uploads/2017/02/CAG-speech-Kings-College-London-070217.pdf

Technical developments

Public Sector Audit Appointments – Updated terms of appointment and statement of responsibilities published

Level of impact: ● (For Information)

On 23 February 2017, Public Sector Audit Appointments Ltd (PSAA), issued the revised document *Terms of Appointment: Principal Local Authorities and Police Bodies*. There are minimal changes the document issued in September 2015 the re-write is intended to clarify or simplify the arrangements within the document.

PSAA has also issued an updated *Statement of Responsibilities of audited and audited bodies Principal Local Authorities and Police Bodies* applicable for 2017/18. The Statement explains where the differing responsibilities of auditors and of audited bodies begin and end, and sets out what auditors should expect of the audited bodies in certain areas. The Statement is consistent with those issued previously, but removes references to local NHS bodies and smaller authorities.

Both documents are available on the PSAA's website at www.psaa.co.uk/appointing-auditors/terms-of-appointment/



Appendix

Appendix 1

2016/17 audit deliverables

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



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