



External Audit Progress Report and Technical Update

Nottinghamshire County Council and Pension Fund

May 2016

Contents

**The contacts at KPMG
in connection with this
report are:**

Tony Crawley
Director
KPMG LLP (UK)

Tel: 0116 256 6067
tony.crawley@kpmg.co.uk

Sayeed Haris
Manager
KPMG LLP (UK)

Tel: 0116 256 6061
sayeed.haris@kpmg.co.uk

David Schofield
Assistant Manager
KPMG LLP (UK)

Tel: 0116 256 6074
david.schofield@kpmg.co.uk

Page

Report sections

- | | |
|----------------------------|---|
| 1. External Audit Progress | 3 |
| 2. KPMG Publications | 5 |
| 3. Technical Update | 7 |

Appendices

- | | |
|-------------------------------|----|
| 1. 2015/16 Audit deliverables | 11 |
|-------------------------------|----|

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.psa.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 Tony Crawley, 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 (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, 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, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

External audit progress report - May 2016

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 one of this report.

<p>Financial statements</p>	<p>In order to form our opinion on the Authority'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 and April 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.</p> <p>The final accounts visit is due to take place in July 2016. In preparation, we have had early dialogue with management on specific areas such as the changes to the Code of Practice, and the revisions proposed to the presentation of the Authority's statements.</p>
<p>Value for Money</p>	<p>Our value for money work is in progress and is due to be completed in July 2016.</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 2015/16 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>
<p>Other work</p>	<p>We have completed the certification work on the Teachers Pensions return since our last progress update in November 2015. Our work was completed in accordance with the grant certification instructions and issued to the Teachers' Pensions Authority.</p> <p>We are currently in the process of completing the Transport Grant return for the Hucknall Town Centre improvement scheme. This work is being completed in accordance with the Department for Transport Assurance Instructions.</p> <p>Currently there are no issues that we would bring to your attention and we anticipate that this work will be completed before the certification deadline of 31 May 2016.</p>



KPMG Publications

<p>KPMG Local Government Budget Survey</p>	<p>KPMG has recently published the results of its Local Government Budget Survey. The survey collated data from 97 KPMG local authority clients on topics including:</p> <ul style="list-style-type: none"> ■ The content of budget monitoring reports; ■ Savings plans; ■ Invest-to-save projects ■ The type of savings being made; ■ Assumptions underlying the medium term financial plan; and ■ Reserve movements. <p>The Survey also poses questions for management and members to consider when reviewing their budget setting and budget monitoring processes.</p>
<p>KPMG publication titled: Value of Audit – Perspectives for Government</p>	<p>What does this report address?</p> <p>This report builds on the <i>Global Audit campaign – Value of Audit: Shaping the future of Corporate Reporting</i> – 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.</p> <p>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.</p> <p>What are the key issues?</p> <ul style="list-style-type: none"> ■ 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 <p>The <i>Value of Audit: Perspectives for Government</i> report can be found on the KPMG website at https://home.kpmg.com/xx/en/home/insights.html</p> <p>The <i>Value of Audit: Shaping the Future of Corporate Reporting</i> can be found on the KPMG website at www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx</p>



Technical update

Section three

Technical update

New local audit framework

Level of impact ●

KPMG perspective

CIPFA have now issued guidance that was commissioned by DCLG on the creation of Auditor Panels. The guidance is available at www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf. The guidance provides options on establishing an Auditor Panel, and the roles and responsibilities the panels will have once established.

Officers have reported to the Finance and Property committee in April 2016 detailing the changes to the arrangements for appointing External Auditors. Members may wish to review this report, and the CIPFA guidance to discuss the approach with the Authority.

DCLG consultation on pension fund investment reform

Level of impact ●

KPMG perspective

The Department for Communities and Local Government (DCLG) has recently closed a consultation on revised regulations for the investment of local government pension scheme assets. The proposed regulations include the proposal to allow pension schemes to pool assets for investment purposes.

The revised regulations can be found here at www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance

The outcome of the consultation will be published here: <https://www.gov.uk/government/consultations/revoking-and-replacing-the-local-government-pension-scheme>

A report has been presented to the Pensions Sub Committee in May 2016 regarding the consultation.

Accounts and Audit Regulations 2015 – Narrative statements	
Level of impact ●	KPMG perspective
<p>Authorities will need to be aware that the Accounts and Audit Regulations 2015 require local authorities to produce and publish a narrative statement. Section 8 of the Regulations, which apply first from the 2015/16 financial year, states:</p> <p>Narrative statements</p> <p><i>A Category 1 authority must prepare a narrative statement in accordance with paragraph (2) in respect of each financial year.</i></p> <p><i>A narrative statement prepared under paragraph (1) must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.</i></p> <p>Authorities will need to publish the narrative statement along with the financial statements. The narrative statement does not form part of the financial statements and is therefore not subject to audit. As part of their audit work however, auditors will need to review the statement for consistency with their knowledge.</p> <p>The narrative statement replaces the explanatory foreword and will need to be prepared in accordance with CIPFA/LASAAC's Code of Practice on Local Authority Accounting (the accounting code). The 2016/17 accounting code will contain high level principles for authorities to follow when preparing their narrative statements. The principles set out in the accounting code will also be relevant to 2015/16 and we understand that CIPFA/LASAAC is likely to publish an update to the 2015/16 accounting code to clarify this.</p>	<p><i>Officers are completing this as part of producing the Statement of Accounts. The Committee may wish to seek assurances that its Authority has arrangements in place to meet the new requirements.</i></p>

2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) – update

Level of impact ●

KPMG perspective

CIPFA/LASAAC has issued an update to the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) following its consultation process. The 2015/16 Code update should be read alongside the 2015/16 Code published in April 2015.

Authorities should note that the update confirms the transitional reporting requirements for the measurement of the Highways Network Asset. The Code does not require a change to the preceding year information for the move to measuring the Highways Network Asset at current value (and under that provision would not require a change to the balance sheet information at 1 April 2015). It also does not require a restatement of the opening 1 April 2016 information but there will need to be an adjustment to those balances.

The Code update also includes amendments as a result of legislative changes and particularly the Accounts and Audit Regulations 2015 for English authorities. It specifies the principles for narrative reporting which CIPFA/LASAAC considers should be used to meet the new requirements of those regulations.

Officers have presented a report to members in March 2016 with the 2015/16 Accounting Policies, and also the revised valuation methodology for Highways Network Assets.

PSAA update – VFM profiles March 2016 release

Level of impact ● (for information)

Public Sector Audit Appointments Ltd (PSAA) updated its Value for Money Profiles Tool (VFM profiles) on 3 February 2016.

The VFM profiles have been updated with the 2014-15 data sourced from the Department for Communities and Local Government – General Fund Revenue Outturn Budget (RO). The values are adjusted with gross domestic product (GDP) deflators from HM Treasury's publication in November 2015. The profiles can be accessed through the PSAA website at www.psaa.co.uk/



Appendix one

Appendix one

2015/16 Audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2015	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2016	Complete
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 2016	Not yet due
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 2016	Not yet due
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	Not yet due
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2016	Not yet due



kpmg.com/socialmedia



kpmg.com/app



© 2016 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.