

Audit Committee

Wednesday, 02 December 2015 at 10:30

County Hall, County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

- | | | |
|---|--|---------|
| 1 | Minutes of the last meeting held on 2 September 15 | 3 - 6 |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interests by Members and Officers:- (see note below)
(a) Disclosable Pecuniary Interests
(b) Private Interests (pecuniary and non-pecuniary) | |
| 4 | External Audit - Annual Audit Letter 2014-15 and Progress Report | 7 - 34 |
| 5 | Internal Audit Progress Report 1st April 2015 to 30th September 2015 | 35 - 42 |
| 6 | Public Sector Audit Appointments' Consultation On Work Programme and Scale of Fees for 2016-17 Audits | 43 - 62 |
| 7 | Procurement Update | 63 - 74 |
| 8 | Work Programme | 75 - 78 |

Notes

- (1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.
- (2) Members of the public wishing to inspect "Background Papers" referred to in

the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

- (3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Sarah Ashton (Tel. 0115 977 3962) or a colleague in Democratic Services prior to the meeting.

- (4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.
- (5) This agenda and its associated reports are available to view online via an online calendar - <http://www.nottinghamshire.gov.uk/dms/Meetings.aspx>

Meeting AUDIT COMMITTEE

Date 2 September 2015 (commencing at 10.30 am)

membership

Persons absent are marked with `A`

COUNCILLORS

Keith Walker (Chairman)
Sheila Place (Vice-Chairman)

Reg Adair
Alan Bell
Jim Creamer
Stephen Garner

John Handley
Ken Rigby
John Wilmott

ALSO IN ATTENDANCE

Tony Crawley - KPMG LLP
Sayeed Haris - KPMG LLP

OFFICERS IN ATTENDANCE

Sarah Ashton)
John Bailey)
Glen Bicknell) Resources
Rob Disney)
Paul Bellamy)

TEMPORARY MEMBERSHIP CHANGES

The following change of membership was reported to the meeting:

- Councillor Alan Bell replaced Councillor John Clarke (for this meeting only).
- Councillor Jim Creamer replaced Councillor David Kirkham (for this meeting only).

MINUTES OF THE LAST MEETING HELD ON 10 JUNE 2015

The minutes of the last meeting of the Committee held on 10 June 2015, having been circulated, were confirmed and signed by the Chair.

APOLOGIES FOR ABSENCE

None

DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None

EXTERNAL AUDIT ANNUAL GOVERNANCE REPORTS

Tony Crawley (KPMG's Director of Audit) and Sayeed Haris (KPMG's Audit Manager) presented and explained the External Auditor's Annual Governance report.

RESOLVED 2015/016

That the proposed External Auditor's Annual Governance Reports on the County Council and Pension Fund accounts be noted.

- a) Members noted the matters raised in the report before the financial statements were re-signed by the Section 151 Officer
- b) That the Letter of Representation be noted.

ROLE OF ICT AND AUDIT APPROACH

Paul Bellamy (Assistant Audit Team Leader) presented a power point detailing how ICT were audited.

RESOLVED 2015/017

That the presentation on how Audit approached the Role of ICT was considered and no further information was required.

WORK PROGRAMME

John Bailey (Head of Internal Audit) presented the work programme.

Tony Crawley (KPMG's Director of Audit) asked as the New Audit Framework was expected to be published in autumn 2015 would the Committee want a report explaining the framework.

RESOLVED: 2015/018

That the work programme be noted

That the briefing subject for the March 2016 Committee meeting would be confirmed at the next meeting.

That the New Audit Framework be added to the December 2015 work programme.

The meeting closed at 11.17 am

CHAIRMAN



REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT AND IMPROVEMENT.

EXTERNAL AUDIT – ANNUAL AUDIT LETTER 2014/15 AND PROGRESS REPORT

Purpose of the Report

1. To inform Members of the External Auditors' Annual Audit Letter 2014-15.
2. For Members to note the External Auditors' Progress Report and Technical Update.

Information and Advice

3. The attached annual audit letter from KPMG summarises findings from work carried out by the external auditors over the last financial year (2014/15).
4. All Councils are subject to independent external review with the final conclusions and recommendations being presented to the Council in the Annual Audit Letter (AAL). The AAL provides a clear, readily understandable commentary on the results of the auditor's work and highlights any issues that the auditor wishes to draw to the attention of the public.
5. The report is presented to Members for their information. The Audit Director (KPMG), Tony Crawley will be in attendance at the meeting to introduce the report and respond to Members' queries.
6. The attached progress report and technical update provides an overview of the progress made by the external auditors with regard to delivering their responsibilities. It also highlights the main technical issues that are impacting upon local government. Again, the Audit Director (KPMG) will be in attendance to respond to Members' queries.

Reason/s for Recommendation/s

7. To provide information to Members on the External Auditors' Annual Audit Letter 2014/15.

Statutory and Policy Implications

8. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That Members of the Audit Committee note the External Auditors' Annual Audit Letter 2014/15.
- 2) That Members of the Audit Committee note the External Auditors' Progress Report and Technical Update.

Nigel Stevenson
Service Director – Finance, Procurement & Improvement

For any enquiries about this report please contact:
Nigel Stevenson tel. 0115-9773033

Constitutional Comments

9. This report is for noting only.

Financial Comments (GB 28/10/2015)

10. The total audit fees were £137,670 for Nottinghamshire County Council and £33,232 for the Nottinghamshire Pension Fund.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All



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External audit progress report and technical update

Nottinghamshire County Council and Pension Fund

November 2015

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

PROGRESS REPORT					
External audit progress report					3
KPMG RESOURCES					
Governance Arrangement work over the Better Care Fund					5
Better Care Fund Support Programme					6
KPMG publication titled: Value of Audit: Perspectives for Government					7
TECHNICAL UPDATE					
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Reporting developments – Infrastructure assets	●	10	NAO report – Care Act first-phase reforms	●	13
Local Government Association’s 2015 Spending Review submission	●	11	Proposed changes to business rates and core grant	●	14
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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
Financial statements	<p>We have recently discussed the outcome of the 2014/15 audit with the Senior Accountant and Service Director – Finance and Procurement (S151 Officer).</p> <p>We are in the progress of planning the 2015/16 audit and we will be holding further discussions with officers of the Authority to identify the key issues that will contribute to our planning approach and to obtain a general update on the Authority. Our next liaison meeting is on 11 December 2015.</p>
Value for Money	<p>The National Audit Office is responsible for the Code of Audit Practice and supporting guidance, and it has just closed a consultation process on the future VFM audit approach. We will update officers and this committee once further information is available on the revised Value for Money Guidance.</p>
Other work	<p>We are currently finalizing our review of your Teachers Pensions Agency return. We expect to meet the deadline of 30 November 2015.</p>



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KPMG resources

Area	Comments
<p>Governance arrangements work over the Better Care Fund.</p>	<p>The £3.8 billion Better Care Fund (BCF) (formerly the Integration Transformation Fund) was announced by the Government in the June 2013 Spending Round, to ensure a transformation in integrated health and social care. The BCF is a single pooled budget to support health and social care services to work more closely together in local areas. The BCF not only brings together NHS and Local Government resources, but also provides a real opportunity to improve services and value for money, protecting and improving social care services by shifting resources from acute services into community and preventative settings.</p> <p>The governance arrangements for the BCF will therefore have to meet the requirements of all partners to achieve economy, efficiency and effectiveness in their use of resources. Each partner will also need to satisfy itself that the pooled budget complies with the requirements of its appropriate code of governance and annual governance reporting guidance.</p> <p>Each partner must also satisfy itself that all other regulatory requirements are met – for example, that discrete funding streams are only spent appropriately at a local level. Partners therefore need to make arrangements to ensure that that is happening. Additionally, there will be a requirement for an audit certificate on this expenditure and arrangements need to be in place to ensure appropriate records are kept to provide sufficient audit assurance.</p> <p>With this in mind, CCG governing bodies and Local Authority Executives are now considering whether governance arrangements and structures are fit for purpose and will ensure the effective management of the BCF and the pace of development and implementation.</p> <p>We are currently carrying out reviews of these governance arrangements and structures using the following Key Lines of Enquiry:</p> <ul style="list-style-type: none"> ■ Governance arrangements. ■ Engagement and communication. ■ Hosting arrangements. ■ Signed agreement. ■ Performance management. ■ Financial management. <p>For more information, please contact Sayeed Haris, 0116 256 6061, sayeed.haris@kpmg.co.uk.</p>

Area	Comments
Better Care Fund Support Programme	<p>The Better Care Fund Support Programme aims to help areas to overcome the barriers to the successful implementation of the Better Care Fund plans across England in 2015/16. KPMG is one of the partners that successfully bid to deliver the programme, on behalf of NHS England, alongside the Social Care Institute for Excellence ('SCIE'), PPL Consulting and the Berkeley Partnership.</p> <p>The focus has been on practical implementation support to deliver better care for the local population. Support has included:</p> <ul style="list-style-type: none"> ■ Conferences, webinars and regional clinics – to explore the barriers to change and develop local plans to overcome them; ■ The Better Care Exchange – an online interactive space for knowledge sharing and collaboration (currently in development); ■ Virtual clinics – telephone support for BCF leads to discuss individual site issues with integration experts; and ■ Coaching and support – to enable good practice and insight gathering from within the BCF programme to support Better Care Learning Partners. <p>A number of 'How to guides' have been developed on how to:</p> <ul style="list-style-type: none"> ■ lead and manage Better Care implementation: www.scie.org.uk/about/files/nhs-england-bcf-leadership-how-to-guide.pdf ■ bring budgets together and use them to develop coordinated care provision: www.scie.org.uk/about/files/nhs-england-bcf-budgets-how-to-guide.pdf ■ work together across health, care and beyond: www.scie.org.uk/about/files/how-to-work-together-across-health-care-and-beyond.pdf <p>The support programme also includes webinars. Further webinars are scheduled, but at present they cover the following topics:</p> <ul style="list-style-type: none"> ■ Joint working; ■ Section 75 Arrangements – Pooled and unpooled budgets; and ■ Data sharing: <p>More details on the programme, and a link to the webinar recordings, can be found on the SCIE website at www.scie.org.uk/about/partnerships-better-care.asp</p> <p>For more information, please contact Sayeed Haris, 0116 256 6061, sayeed.haris@kpmg.co.uk.</p>

Area	Comments
<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>



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Technical update

Area	Level of impact	Comments	KPMG perspective
<p>New local audit framework</p>	<p>● Medium</p>	<p>The Local Audit and Accountability Act 2014 included transitional arrangements covering the audit contracts originally let by the Audit Commission in 2012 and 2014. These contracts covered the audit of accounts up to 2016/17, and gave the Department for Communities and Local Government (DCLG) the power to extend these contracts to 2019/20.</p> <p>DCLG have now announced that the audit contracts for large local government bodies (including district, unitary and county councils, police and fire bodies, transport bodies, combined authorities and national parks) will be extended to include the audit of the 2017/18 financial statements. From 2018/19, local government bodies will need to appoint their own auditors; it is not yet clear whether there will be a sector-led body that is able to undertake this role on behalf of bodies.</p> <p>NHS and smaller local government bodies (town and parish councils, and internal drainage boards), will not have their contracts extended, and will have to appoint their own auditors for 2017/18, one year earlier than for larger local government bodies.</p>	<p><i>We understand guidance is being prepared by CIPFA on the request of the NAO.</i></p> <p><i>We will also be preparing a briefing note for clients.</i></p>

Area	Level of impact	Comments	KPMG perspective
Reporting developments – Infrastructure assets	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>CIPFA/LASAAC, the group that produce the <i>Code of Practice for Local Authority Accounting</i>, have confirmed that transport infrastructure assets owned by local authorities will be required to be included in the accounts from 2016/17. This would require prior period adjustments for 2015/16, including the opening position at 1 April 2015.</p> <p>The changes require local authorities to recognise the value of all transport infrastructure assets using the depreciated replacement cost method, i.e. the cost required to replace the asset with a new replacement depreciated over the life of the existing asset. Transport infrastructure assets include:</p> <ul style="list-style-type: none"> ■ roads, bridges, roundabouts and traffic calming measures; ■ footways, footpaths and cycle tracks; ■ tunnels and underpasses; and ■ water supplies and drainage systems, as they support the assets identified above. <p>Even non-highway authorities will be affected to the extent that footways etc are material to their accounts. Railway assets are not currently included in the proposals, although it is possible that these may be included in subsequent periods.</p> <p>CIPFA has issued a <i>Code of Practice on Transport Infrastructure Assets</i> which contains the requirements to be included in the Local Authority Code. This is available to purchase from the CIPFA website.</p> <p>Local authorities should have developed a project plan to identify all of the relevant transport infrastructure they own and a timetable for valuing these. CIPFA expects authorities to have undertaken the 1 April 2015 valuations by 31 December 2015.</p> <p>The Whole of Government Accounts submission includes unaudited data on transport infrastructure assets. 2013/14 data indicates assets of over £400 billion will be accounted for on local authority balance sheets. However, only 93% of authorities provided this information, and of these less than 70% used actual inventory data to complete the return. This indicates that the sector faces a significant challenge in accurately identifying the assets it owns and will have to account for.</p>	<p><i>The Committee may wish to enquire of officers whether a project plan has been developed to address the requirements and review progress against this on a regular basis.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>The Local Government Association’s 2015 Spending Review submission</p>	<p>● Medium</p>	<p>In June 2015, the Local Government Association (LGA) set out proposals for the Government to consider as part of the Spending Review, aimed at streamlining public services, growth generating investment and social care and health – all while saving the public purse almost £2 billion a year by the end of the Parliament.</p> <p>The submission focusses on four core issues originally highlighted in A Shared Commitment, published in early 2015. The LGA hopes that local government can work with central government to balance the nation’s books while improving public services and the local economic environment by delivering new, transformed and high-quality local services while at the same time reducing costs to the public sector.</p> <p>The LGA believes the Spending Review should:</p> <ul style="list-style-type: none"> ■ enable wider integration of social care and health services to deliver savings and improve outcomes. This requires the annual £700 million funding gap in social care services to be closed and a transformation fund worth £2 billion in each year of the Spending Review period be created to allow new ways of working to become commonplace. The Spending Review should also implement a single place-based budget for delivering all local services through a Local Public Services Fund as part of at least five devolution deals; ■ promote growth and productivity by accepting the case for further devolution of powers and funding that stretches beyond 25 November. The LGA is calling for devolution of, or local influence over, more than £60 billion of growth, skills and infrastructure funding over the Spending Review period, including: <ul style="list-style-type: none"> – the components for an ambitious and effective Local Growth Fund with agreed settlements in devolution deals that last until 2020/21 – a central-local partnership to deliver effective and targeted skills and employment initiatives – unlocking the ability of councils to contribute to the Government’s target of 275,000 affordable homes built over the lifetime of the Parliament. ■ help councils adequately resource and deliver high quality public services by transforming the business rate mechanism and providing a four year local government finance settlement; and ■ help councils focus on driving efficiency and value for money through an assessment of the impact of unfunded cost burdens that core councils will be going to face over the Spending Review period. 	<p><i>The Committee may wish to seek assurances that the impact for their Authority is understood.</i></p>

Area	Level of Impact	Comments	KPMG perspective
NAO report – Local Government New Burdens	<p style="text-align: center;">● Low</p>	<p>This report from the NAO considers how well central government has applied the New Burdens Doctrine for Local Authorities. This sets out how the government would ensure that new requirements that increased local authorities' spending did not lead to excessive council tax increases. The focus of this report is more on central government but includes findings that may also be of interest to local government bodies.</p> <p>The report is available from the NAO website at www.nao.org.uk/report/local-government-new-burdens/</p>	<p><i>The Committee may wish to review the report to understand what impact this could have at the local government level</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>NAO report – Care Act first-phase reforms</p>	<p>● Low</p>	<p>The NAO’s report examines the first phase of the Department of Health’s new approach to adult social care, finding that it has been implemented well, but places new responsibilities on local authorities whose core funding is being significantly reduced. This could result in their having to delay or reduce services in the short term if demand for care exceeds expectations, presenting a risk to VFM which needs to be managed.</p> <p>Key findings within the report include:</p> <ul style="list-style-type: none"> ■ The <i>Care Act</i> will increase demand for assessments and services at a time when local authority provision has been falling and the number of people in need is rising. ■ The Department’s innovative joint governance with the sector has provided support to implement this challenging legislation. It has provided guidance materials and will give extra support to local authorities. ■ The Department’s tight time frame for the sector to act on final guidance and funding allocations has inhibited local implementation planning in some areas. ■ Despite the challenging timetable, of local authorities with adult social care responsibilities, 99% were confident that they would be able to carry out the Care Act reforms from April 2015. However, it will take longer to change the culture. ■ The Department might have underestimated the demand for assessments and services for carers. ■ The Department has learned from the problems it encountered in modelling the cost of Phase 1 and has improved its approach for Phase 2. ■ There is variation in the extent to which individual councils might have been over or underfunded. ■ A significant proportion of the funding which the Department is providing for the Care Act’s new burdens is not new money. The Department assumes that £174 million (40%) of Care Act funding will come through the Better Care Fund, from money previously allocated to clinical commissioning group budgets and existing local authority capital grants. ■ If costs exceed expectations, pressures will fall first on individual local authorities. The Department may not have sufficient information and does not have a contingency fund to avoid impacts on services. <p>The full report is available from the NAO website at www.nao.org.uk/report/care-act-first-phase-reforms/</p>	<p><i>The Committee may wish to seek assurances the issues raised in the report are understood and plans in place address the likely impact at their Authority.</i></p>

Area	Level of Impact	Comments
<p>Proposed changes to business rates and core grant</p>	<p>● For Information</p>	<p>The Chancellor of the Exchequer has proposed some radical reforms of local government finance. The proposals are that by the end of the decade, councils will retain all locally raised business rates but will cease to receive core grant from Whitehall.</p> <p>The Chancellor set out the landmark changes in a speech to the Conservative party conference in Manchester, saying it was time to face up to the fact that “the way this country is run is broken”.</p> <p>Under the proposals, authorities will be able to keep all the business rates that they collect from local businesses, meaning that power over £26 billion of revenue from business rates will be devolved.</p> <p>The uniform national business rate will be abolished, although only to allow all authorities the power to cut rates. Areas that choose to move to systems of combined authorities with directly elected city wide mayors will be able to increase rates for specific major infrastructure projects, up to a cap, likely to be set at 2p on the rate.</p> <p>The system of tariffs and top-ups designed to support areas with lower levels of business activity will be maintained in its present state.</p>



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Appendix

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	Not yet due
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



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Annual Audit Letter 2014/15

Nottinghamshire County Council and
Nottinghamshire Pension Fund

October 2015

The contacts at KPMG in connection with this report are:

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Report sections

- Headlines

Appendices

1. Summary of reports issued
2. Audit fees

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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. The Audit Commission 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, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled, you can raise your complaint through our 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 3HZ.

This report summarises the key findings from our 2014/15 audit of Nottinghamshire County Council and Nottinghamshire Pension Fund (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

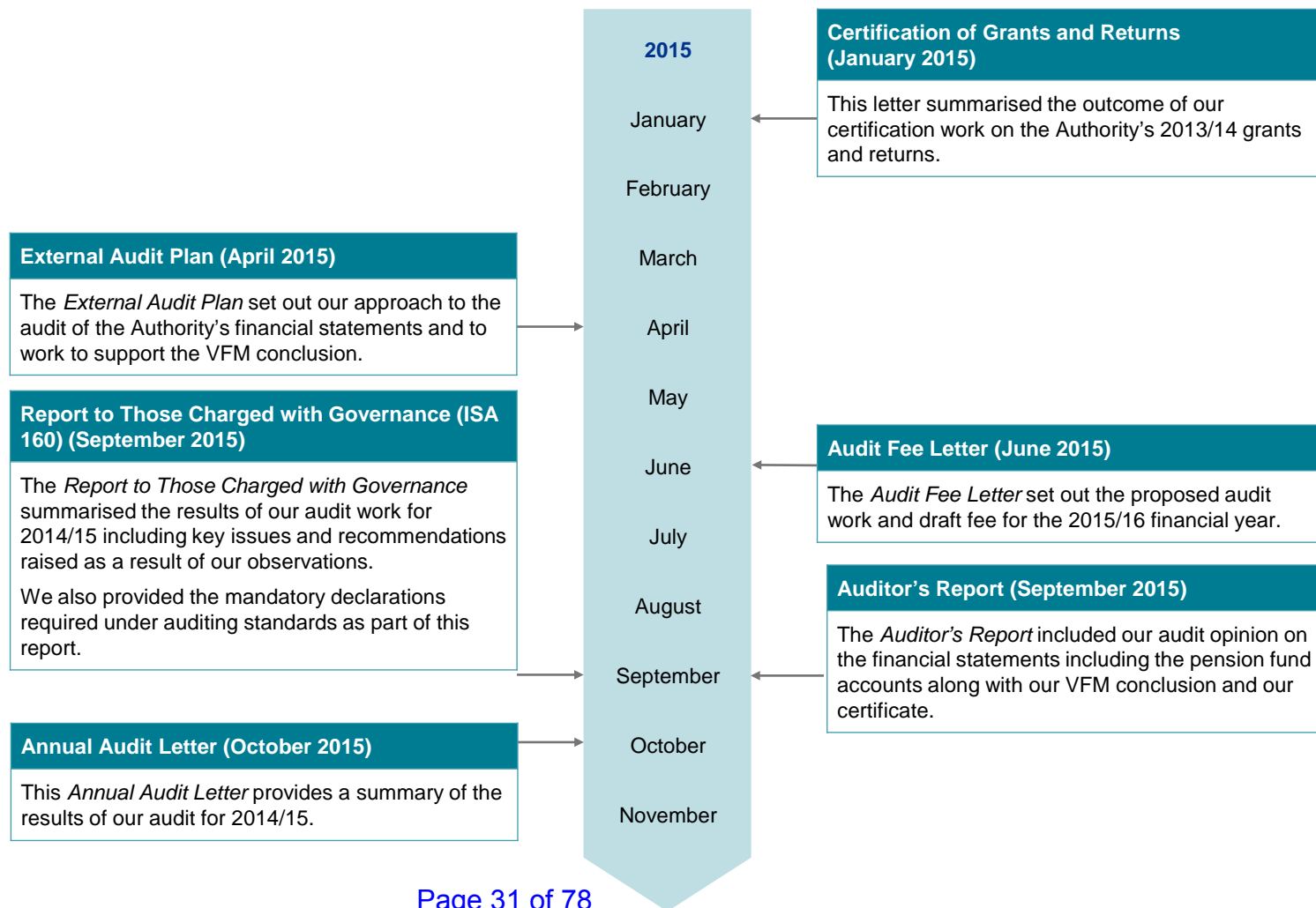
All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 29 September 2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 29 September 2015. 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. The financial statements also include those of the pension fund.</p>
Financial statements audit	<p>Our initial risk assessment at the planning stage of the audit identified a number of significant risk areas:</p> <p>In relation to the Authority:</p> <ul style="list-style-type: none"> ■ Accounting for Schools, following LAAP Bulletin 101; and ■ New banking arrangements. <p>In relation to the Pension Fund:</p> <ul style="list-style-type: none"> ■ LGPS Reform; and ■ Change in Pensions Database. <p>The Authority continues to maintain a strong financial reporting process and produces Statements of Accounts to a good standard.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>
Pension fund audit	<p>There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report.</p>
Whole of Government Accounts	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.</p>

Certificate	We issued our certificate on 29 September 2015. The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
Audit fee	Our fee for 2014/15 was £134,670, excluding VAT for the Authority, and £33,232 for the Pension Fund, excluding VAT. This includes an additional £3,720, excluding VAT for the Authority, and £3,306, excluding VAT, for the Pension Fund, due to the additional work required to address the risk areas identified in the External Audit Plan. Further detail is contained in Appendix 2.

Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.



This appendix provides information on our final fees for the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

External audit

Our final fee for the 2014/15 audit of the Authority was £134,670. This compares to a planned fee of £130,950. The reasons for this variance are:

- an increased fee for the additional audit of the risk areas identified in the External Audit Plan reflecting additional costs incurred in carrying out these procedures, with respect to:
 - The accounting requirements for Local Authority maintained schools; and
 - The transfer of banking services from the Co-operative to Barclays.

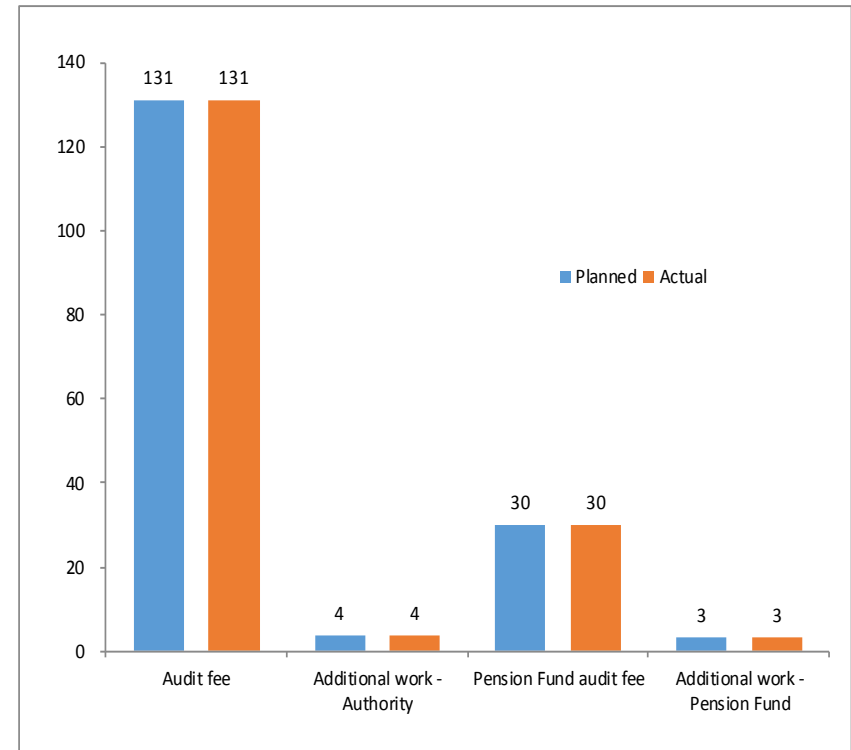
Our final fee for the 2014/15 audit of the Pension Fund was £33,232. This compares to a planned fee of £29,926. The reasons for this variance are:

- an increased fee for the additional audit of the risk areas identified in the External Audit Plan reflecting additional costs incurred in carrying out these procedures, with respect to:
 - LGPS reform; and
 - Change in Pensions Database.

Other services

We charged £3,000 for additional audit-related services for the certification of the Teachers Pension return, which is outside of Public Sector Audit Appointment's certification regime.

External audit fees 2014/15 (£'000)





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**REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT AND
IMPROVEMENT****INTERNAL AUDIT PROGRESS REPORT – 1ST APRIL 2015 TO 30TH
SEPTEMBER 2015****Purpose of the Report**

1. To inform Audit Committee of the work carried out in the first half of the 2015/16 financial year and to highlight any key issues arising.

Information and Advice

2. The Authority has a statutory responsibility to undertake an adequate and effective internal audit of the County Council's operations. This responsibility is discharged by the Internal Audit Service which has unrestricted access to all activities undertaken by the County Council.
3. The work carried out by Internal Audit involves reviewing and reporting on the control environment established by management to:-
 - a) determine and monitor the achievement of the Authority's objectives
 - b) identify, assess and appropriately manage the risks to achieving the Authority's objectives
 - c) facilitate policy and decision making
 - d) ensure the economical, effective and efficient use of resources
 - e) ensure compliance with established policies, procedures, laws and regulations
 - f) safeguard the Authority's assets and interests
4. Internal Audit's work is planned to cover these areas and to provide an independent assessment of whether the Authority's systems and procedures are working appropriately. The work of Internal Audit is carried out in compliance with the Public Sector Internal Audit Standards. It is good practice to provide an interim report on Internal Audit work to senior management (CLT) and the Board (Audit Committee) and this report satisfies this expectation.

Summary of Internal Audit Work 01/04/15 to 30/09/15

5. A wide range of audits have been completed during the period covering the Authority's operations at establishment, divisional, departmental and corporate levels. It is important to complete work at different levels of the Authority to provide assurance that the Authority is effective in setting strategy, implementing strategies and operating efficiently by using sound systems which minimise error and the risk of fraud. The time spent on audit work compared to that planned is shown in Appendix 1. Overall, the number of days spent carrying out audits was 824 days, which is below the planned level of 860 days. The shortfall is mainly due to the long term sick leave of two people within the Section. It is anticipated that the Audit Plan will not be completed by the end of the year due to the ongoing sick leave of two people. Alternative resources are being sought in order to mitigate the shortfall in completing the Audit Plan.
6. In the first six months of the year, a total of 60 County Council audits have been completed against a planned coverage of 142 audits for the year. For 50 of the completed audits, a formal report has been issued which includes an audit opinion on the level of internal control. A detailed analysis of the reports issued is shown in Appendix 2, setting out the area covered, the Audit Opinion, and the number of recommendations made and accepted. The other 10 audits covered a range of areas including provision of detailed written advice, assisting in developing policy and providing statutory reports.
7. During the period there were seven internal audit reports issued with a "Limited" audit opinion. Limited assurance opinions were issued in respect of four schools, with copies of the report sent to the Headteacher and Chair of Governors. Three of the limited assurance opinions related to departmental services and details of these reports are set out below.

ASCH 1511 – Care and Support Centres – June 2015. The key risks identified were failure to have up-to-date agreements with health partners on provision of beds, central coding of income precluding accurate management information and lack of a current service plan. In addition bed charges had been set in 2011 and income for a service provided at one home was being paid into the Social Fund rather than the official accounts. Fifteen recommendations were made and agreed to address control weaknesses.

CFCS 1602 – School Swimming Service – September 2015. The majority of the risk areas were being effectively managed. However, the key concern arose from an ongoing overspend against the budget. Although the level of income for 2014/15 was in excess of the budgeted income this was more than offset by the overspend on expenditure. This trading pattern suggests poor control of costs or incorrect pricing. Recommendations have been agreed to address this.

XC 1506 – Information Governance – July 2015. This audit covered a comprehensive range of issues arising from the need to manage information effectively. A total of 29 recommendations were made and agreed to address identified weaknesses. These included, amongst other things, staff training, corporate awareness of security of information, access to offices, vetting of staff, induction procedures, compliance with clear desk policy and third party access to systems.

Internal Audit Performance Indicators

8. Progress against the Section's performance indicators, as at 30 September 2015, is detailed in the table below:-

Table 2: Internal Audit Performance Indicators 2015/16

Performance Measure/Criteria	Target	Outcome as at 30/09/14
Comply with Public Sector Internal Audit Standards	Compliance achieved	Substantial Compliance
Completion of Audit Plan - Days	90%	96%
- Jobs	90%	85%
Positive customer feedback	Feedback good or excellent	Achieved (average score is 1.8 where 1 is excellent and 2 is good)
Recommendations agreed	95%	98%
External Audit Reliance on Internal Audit	Positive	Positive

9. Progress to date on completing the Audit Plan has been good, but is below the planned time. The shortfall in the number of days is due to two long term ill health problems within the section. The number of jobs completed is also behind the plan, however a substantial number of audits are largely complete and draft reports issued. The Internal Audit Section complies substantially with the Public Sector Internal Audit Standards and external audit continue to place reliance on the work completed by Internal Audit.
10. The ill health issues are likely to persist for the rest of the financial year and would result in a shortfall in completing the Audit Plan. Alternative options to identify additional resources for the Section are being considered, including partnership working with neighbouring local authorities or buying in service from the private sector.
11. The responses to our audit reports continue to be positive. A total of 463 recommendations were made during the six month period to the end of September 2015 and 456 (98%) have been agreed for implementation. Customer feedback from the Quality Control Questionnaires is also positive with an average score of 1.8 (on a scale of 1 to 5).

Conclusion

12. The work completed shows that the Authority's overall system of internal control continues to be satisfactory at this stage of the year.

Internal Audit work completed to 30 September 2015 is below target. Options to bring in additional resources are being considered to enable this to be addressed by the end of the financial year.

Other Options Considered

13. The paper is for noting and comment only.

Reason/s for Recommendation/s

14. To provide Members with the opportunity to note and comment on the work of Internal Audit during the first 6 months of the year.

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

1) That Members of the Audit Committee note and comment on the progress against the Internal Audit Plan for 2015/16.

Nigel Stevenson

Service Director (Finance, Procurement and Improvement)

For any enquiries about this report please contact:

John Bailey

Head of Internal Audit

Constitutional Comments

The report is for noting and comment only.

Financial Comments (SES 19/11/15)

There are no specific financial implications arising directly from this report.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

INTERNAL AUDIT PLAN 2015/16
Analysis of Audit Coverage 1 April 2015 to 30 September 2015

	Annual Plan 2015/16	Second Quarter 50% Plan	Second Quarter Actual	Variance
	Days	Days	Days	Days
Children, Families and Cultural Services (includes schools)	595	297	205	-92
Adult Social Care, Health and Public Protection	247	124	201	+77
Resources	292	146	105	-41
Place	180	90	97	+7
Cross cutting work	305	153	154	+1
Contingency	100	50	62	+12
Total County Council	1719	860	824	-36
External Contracts	171	85	45	-40
OVERALL TOTAL	1890	945	869	-76

INTERNAL AUDIT PLAN 2015/16
Audits Completed 1 April 2015 to 30 September 2015

Audit Report Department and Area audited	Audit Opinion – Level of Assurance	Recommendations made and Risk Rating			Recommendations Agreed		
		High	Medium	Low	High	Medium	Low
Adult Social Care, Health and Public Protection							
Care and support centres	Limited	3	4	8	3	4	8
Continuing healthcare	Reasonable	1	3	2	1	3	2
Residential and nursing care – client contributions	Reasonable	1	4	5	1	4	4
Scambusters Grant – Audit Certificate	Substantial	-	-	-	-	-	-
Operation Spinaker – Audit Certificate	Substantial	-	-	-	-	-	-
Key audit findings and Financial Regulations training	N/A						
Sub Total		5	11	15	5	11	14
Children, Families and Cultural Services							
Home to school transport	Reasonable	-	3	10	-	3	10
Sherwood Energy Village Imprest advice	N/A	-	9	-	-	9	-
Adoption – financial support	Substantial	-	2	1	-	2	1
School swimming service	Limited	2	2	2	2	2	2
Beeston Youth and Community Centre audit	N/A						
Youth centre accounts cash book advice	N/A						
Children’s centre contract advice	N/A						
Sub Total		2	16	13	2	16	13
School Audits							
Secondary Schools (1 final report issued)	Overall, 7 substantial assurance, 13 reasonable assurance and 4 limited assurance	21	217	54	21	212	54
Primary Schools (23 final reports issued)							

Department and Area audited	Audit Opinion – Level of Assurance	Recommendations made and Risk Rating			Recommendations Agreed		
		High	Medium	Low	High	Medium	Low
Resources							
Customer service centre	Reasonable	1	2	6	1	2	6
ICT Mobilisation	Substantial	-	-	-	-	-	-
Capita One	Reasonable	-	1	-	-	1	-
ICT vendor management	Substantial	-	2	-	-	2	-
ICT strategy and operating model	Substantial	-	1	1	-	1	1
ICT change and release	Substantial	-	1	-	-	1	-
Pensions service advice	N/A	-	-	-	-	-	-
Civica pensions project advice	Reasonable	-	2	-	-	2	-
ICT active directory	Reasonable	1	2	-	1	2	-
Pension fund management	Reasonable	-	2	6	-	2	6
Pensions to payroll data match	N/A						
Sub Total		2	13	13	2	13	13
Place							
Highways capital schemes	Reasonable	-	9	4	-	9	4
Highways operations	Reasonable	-	2	5	-	2	5
Highways workflow	N/A	9	2	4	9	2	3
Fleet and plant management	Reasonable	-	3	6	-	3	6
Carbon reduction certificate	Substantial						
Bus services operating grant	Substantial						
Platt Lane playing fields	Substantial						
Property operations	Reasonable	1	3	4	1	3	4
LEADER programme	N/A						
Sub Total		10	19	23	10	19	22
Cross Cutting Reviews							
Information governance	Limited	4	19	6	4	19	6
Transparency code	N/A						
Annual governance statement	Substantial						
Sub Total		4	19	6	4	19	6
GRAND TOTAL		44	295	124	44	290	122



**REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT AND
IMPROVEMENT**

**PUBLIC SECTOR AUDIT APPOINTMENTS' CONSULTATION ON WORK
PROGRAMME AND SCALE OF FEES FOR 2016/17 AUDITS**

Purpose of the Report

1. To consider a response to the Public Sector Audit Appointments' consultation on the external audit work programme and scale of fees for 2016/17.

Information and Advice

2. The Public Sector Audit Appointments (PSAA) body replaced the Audit Commission, from 1st April 2015, in taking responsibility for appointing external auditors to local authorities. As part of this responsibility, the PSAA is now consulting on the work programme for 2016/17 and on the scale of fees that will apply.
3. The PSAA was incorporated by the Local Government Association in August 2014. The PSAA is a company limited by guarantee and is a subsidiary of the Improvement and Development Agency which is wholly owned by the Local Government Association.
4. The PSAA will oversee the Audit Commission's audit contracts for local government and police bodies until they end in 2018. This follows the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements for one year. As a consequence the Authority will continue to have KPMG as its external auditors for the 2017/18 financial year.
5. A copy of the consultation document relating to local government and police audited bodies is attached as Appendix A.
6. The background to the current proposals is set out in the consultation document. The scale of fees was reduced by 40% from 2012/13 and then by an additional 25% for 2015/16, whilst still the responsibility of the Audit Commission. The PSAA expect that these substantial fee reductions will continue to apply for the length of the audit contracts, providing that there are no significant changes to the auditors' work.
7. The PSAA does not plan to change the work programme for local government bodies for 2016/17 and proposes that the 2016/17 scale audit fees and indicative certification fees are set at the same level as for 2015/16. The proposed fee scales for NCC and Nottinghamshire Pension Fund for 2016/17 are £98,213 and £29,926 respectively. The PSAA website

provides a comparator tool, which can be used to show where we sit in comparison with other county councils. A copy of these are attached as appendices B and C for the County Council and the Nottinghamshire Pension Fund.

8. However, the PSAA may approve variations to the published fee scales for individual audited bodies to reflect changes in circumstances or audit risks. A change in the accounting requirements in 2016/17 for highways infrastructure assets will require additional audit work, and this is likely to result in a fee variation for NCC. The additional fees in the first year of implementation for a highway authority are anticipated to be in the range of £5,000 to £10,000.
9. Following the completion of the Audit Commission's 2014/15 accounts, the PSAA received a payment in respect of the Audit Commission's retained earnings. The PSAA intend to redistribute any surpluses from audit fees to audited bodies, which is likely to be of the order of 15% of scale audit fees.
10. Audit Committee members are invited to respond to the consultation, and consider what responses they want to make. Suggested responses are that:-
 - a. the Audit Committee welcome the continuing reductions in audit fees
 - b. The Audit Committee agree that the work programme for 2016/17 should remain unchanged

Other Options Considered

- 11 The Audit Committee may determine that a response to the PSAA should not be sent.

Reason/s for Recommendation/s

12. To provide Members with the opportunity to comment on the proposals of the Public Sector Audit Appointments body for the work programme and scale of fees for 2016/17.

Statutory and Policy Implications

13. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

- 1) That Members of the Audit Committee accept the PSAA plan to keep the work programme unchanged for 2016/17 and welcome their proposal to freeze the scale of fees for 2016/17.

Service Director (Finance, Procurement and Improvement)

For any enquiries about this report please contact:

John Bailey
Head of Internal Audit

Constitutional Comments (KK 29/10/15)

The proposal in this report is within the remit of the Audit Committee.

Financial Comments (JMB 16/11/15)

The costs of external audit are set out in the report in paragraph 7.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

Proposed work programme and scales of fees 2016/17

Local government and police bodies

October 2015

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to PSAA by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.

The company is responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims.

Before 1 April 2015, these responsibilities were discharged by the Audit Commission.

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Introduction

- 1 This consultation document sets out the work that auditors will undertake at local government and police audited bodies during 2016/17, with the associated proposed scale audit fees and indicative certification fees. A separate consultation document covers the [work programme and scales of fees at local NHS bodies](#).
- 2 The consultation does not cover small bodies subject to the limited assurance regime. Fee scales for small bodies were set in April 2012 for five years and are available on the [small bodies' fees page](#) of our website.
- 3 We hope the information set out in this document is helpful to stakeholders in considering our proposals for the 2016/17 work programme and scale fees, as well as supporting audited bodies' financial planning.

Background

- 4 The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.
- 5 PSAA will oversee the Commission's audit contracts for local government and police bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements for one year. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on [PSAA and its responsibilities](#) is available on our website.

2016/17 fees

- 6 Scale fees for 2015/16 were set by the Audit Commission before it closed. The Commission reduced 2015/16 scale fees by 25 per cent based on the fees applicable for the previous year, in addition to the 40 per cent reduction in fees from 2012/13. The expectation is that these substantial fee reductions will continue to apply for the length of the audit contracts, providing there are no significant changes to auditors' work, and subject to annual review.
- 7 There are no planned changes to the overall work programme for local government and police audited bodies for 2016/17. We propose that 2016/17 scale audit fees and indicative certification fees are set at the same level as the scale fees applicable for 2015/16.
- 8 PSAA may approve variations to published scale fees and indicative certification fees for individual audited bodies, to reflect changes in circumstances or audit risks.
- 9 For some authorities a change in accounting requirements in 2016/17 relating to highways infrastructure assets will require additional audit work. The fee variation process will apply in 2016/17 for this additional work, because the amount of work will vary at each applicable authority in the first year of implementation of the new requirements.

Fees beyond 2016/17

10 The current contracts with audit firms will run until 2018, covering completion of the audit of the accounts for 2017/18, as DCLG has confirmed that the transitional arrangements will be extended by one year. PSAA will therefore set fees for 2017/18 audits. We would expect to consult on the 2017/18 work programme and scales of fees in late 2016, and publish the confirmed scale fees in March 2017.

Redistribution of surplus

11 Following completion of the Audit Commission's 2014/15 accounts, PSAA received a payment in respect of the Audit Commission's retained earnings. PSAA will redistribute this and any other surpluses from audit fees to audited bodies, on a timetable to be established now the position on transitional arrangements has been clarified by DCLG. The amount of the redistribution, based on current information, is likely to be in the order of 15 per cent of scale audit fees for local government and police bodies.

Responding to this consultation

We welcome comments from stakeholders on the proposals contained in this document.

Please send comments by email to:

workandfeesconsultation@psaa.co.uk

or by post to Jon Hayes, Chief Officer, at:

Public Sector Audit Appointments Limited
3rd Floor
Local Government House
Smith Square
London SW1P 3HZ

The consultation will close on **Friday 15 January 2016**.

Proposed work programme for 2016/17

Audit

12 Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory [Code of Audit Practice](#) and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out in this consultation. Further information on the NAO Code and guidance is available on the [NAO website](#).

13 Auditors tailor their work to reflect local circumstances and their assessment of audit risk. They do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks.

Audit work on highways infrastructure assets

14 CIPFA/LASAAC is expected to confirm, subject to the outcome of consultation, that the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom* will adopt the measurement requirements of the *CIPFA Code of Practice on Transport Infrastructure Assets*, for highways infrastructure assets.

15 There is no reliable and equitable way of establishing at this stage the volume of additional audit work, and therefore the fees required, at each applicable local authority because:

- a) the amount of work needed will depend on the value of each authority's highways infrastructure assets, and the consequent impact of the change in reporting requirements on their financial statements;
- b) authorities are at different stages in preparing for implementation, making it difficult to estimate at this stage the amount of work auditors will need to undertake in each case;
- c) as with other financial reporting changes, it is likely that the first year of implementation will require more audit work than in subsequent years, so it would not be appropriate to increase scale fees on the basis of the work needed in the first year; and
- d) there is a possibility that some form of central assurance arrangements may be implemented using an approach that CIPFA is developing, which could help to contain the amount of additional audit work required.

16 Fees for the additional work identified by auditors at individual audited bodies in 2016/17 will be subject to approval under the normal fee variations process. We expect the additional fees for a highway authority will be in the range £5,000 to £10,000, where authorities are able to provide the information required, and the auditor is able to rely on central assurance of the models in use. Fees for non-highway authorities with material highways infrastructure assets should be below £5,000 where the same conditions apply.

Auditors' local value for money work

17 Under the Local Audit and Accountability Act 2014, auditors are required to satisfy themselves that an audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money arrangements conclusion).

18 Auditors will apply a risk-based approach to their local value for money work, giving a conclusion on the arrangements in place. The NAO's Code of Audit Practice and supporting guidance for auditors set out the approach and reporting criteria applicable for principal bodies.

19 A value for money arrangements conclusion is not required for audited bodies with annual income or expenditure of less than £6.5 million and which are subject to a limited assurance review. This is in line with the threshold set in the Local Audit and Accountability Act 2014 defining smaller relevant bodies, and the requirements of the Accounts and Audit (England) Regulations 2015.

20 Where a body with annual income or expenditure of less than £6.5 million elects to prepare accounts as a larger relevant body, it is subject to a full Code audit including a value for money arrangements conclusion.

Certification work

21 At the request of the Department for Work and Pensions (DWP), auditors appointed under the audit contracts will certify local authority claims for housing benefit subsidy for 2016/17. Auditors will undertake this work as agents of PSAA, using guidance based on the arrangements previously developed by the Audit Commission.

National report

22 PSAA will publish a report summarising the results of auditors' work on audited bodies' financial statements and arrangements to secure value for money.

Proposed scales of fees for 2016/17

Scales of audit fees for local government and police bodies

23 The scales of fees for 2016/17 reflect the cost of the work programme outlined above. The proposed 2016/17 scale fee for each [local government](#) and [police](#) audited body is available on our website.

24 The proposed scale audit fees for 2016/17 audits are the scale fees applicable for 2015/16.

25 PSAA has the power to determine the fee above or below the scale fee, where it considers that substantially more or less work was required than envisaged by the scale fee. The scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

26 As the 2016/17 scale fees are based on the scale fees for 2015/16, they continue to reflect the auditor's assessment of audit risk and complexity. We would only expect variations from the scale fee to occur in 2016/17 where these factors are significantly different from those identified and reflected in the 2015/16 scale fee.

27 PSAA obtains updated fee information, and explanations for any proposed variations from the scale fee, from appointed auditors on a regular basis. We consider the reasonableness of the explanations provided by auditors, and seek confirmation that an audited body has been consulted about a proposed variation, before agreeing to any variation to the scale fee. Auditors cannot invoice audited bodies for any variations to scale fees until these have been approved by PSAA.

28 We will continue to keep the scale fees for particular groups of bodies under review, including police bodies and pension fund audits, to ensure they remain consistent with auditors' local assessments of audit risks.

29 PSAA will charge fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998, as a variation to the scale fee.

Pension fund audits

30 The proposed scale fees for 2016/17 pension fund audits are the scale fees applicable for 2015/16. The proposed [pension fund](#) audit scale fee for each relevant audited body for 2016/17 is available on our website.

Certification work

31 The statutory duty to make certification arrangements, delegated to PSAA by the Secretary of State for the purpose of certifying housing benefit subsidy claims, requires PSAA to charge fees that cover the full cost of certification work.

32 An indicative certification fee is published each year for each relevant audited body, using the latest final certification fees available. Indicative fees for 2016/17 housing benefit

subsidy certification work will be based on final 2014/15 certification fees. We will receive this information from auditors in January 2016, after this consultation has closed, and will publish indicative 2016/17 certification fees on our website in March 2016.

33 For the purposes of this consultation, audited bodies and stakeholders may wish to refer to the [indicative certification fees for 2014/15](#), published on our website.

34 Indicative fees for certification work are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

35 We expect variations from the indicative certification fee for an audited body to occur only where issues arise that are significantly different from those identified and reflected in the previous year's fee.

Value added tax

36 All the 2016/17 fee scales exclude value added tax (VAT), which will be charged at the prevailing rate of 20 per cent on all work done.

Next steps

37 PSAA has a statutory duty to prescribe scales of fees for the audit of accounts. Before prescribing scales of fees, we are required to consult relevant representative organisations.

38 We welcome comments from audited bodies and stakeholders on the proposals contained in this document. The consultation will close on **Friday 15 January 2016**.

Please send comments by email to:

workandfeesconsultation@psaa.co.uk

or by post to Jon Hayes, Chief Officer, at:

Public Sector Audit Appointments Limited
3rd Floor
Local Government House
Smith Square
London SW1P 3HZ

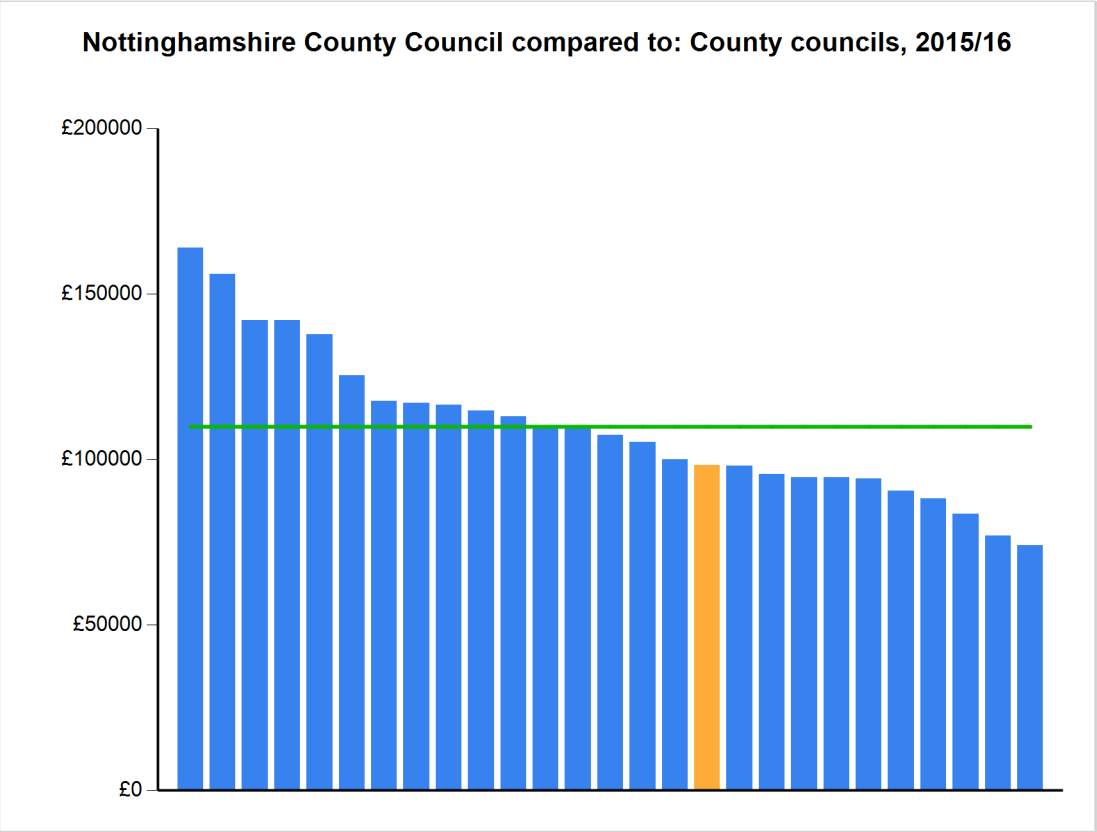
39 Following consideration of responses to this consultation, the PSAA Board will approve the final 2016/17 work programme and scales of fees for publication in late March 2016.

40 If you have comments or complaints about the way this consultation has been conducted, these should be sent by email to generalenquiries@psaa.co.uk.

Scale fee

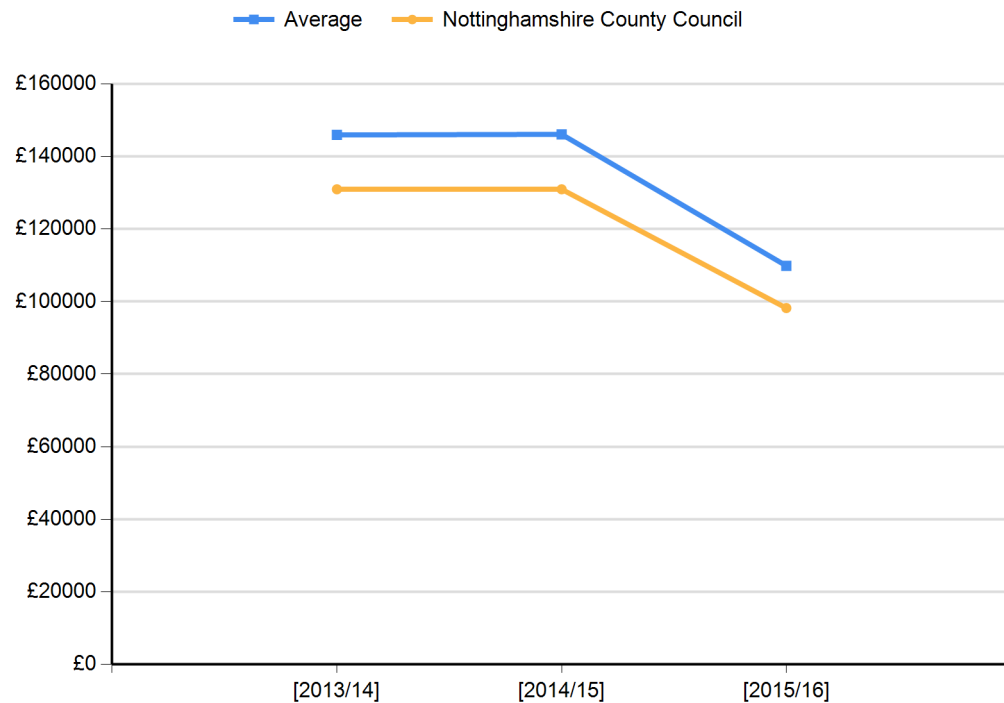
Scale fee figures are published at the start of the financial year to which they relate. Final fee data is collected when the audit is complete.

Source: PSAA (formerly Audit Commission) (Audit fees)



Body Name	Value
Buckinghamshire County Council	£88,088
Cambridgeshire County Council	£94,061
Cumbria County Council	£114,615
Derbyshire County Council	£125,356
Devon County Council	£105,281
Dorset County Council	£74,022
East Sussex County Council	£83,572
Essex County Council	£163,981
Gloucestershire County Council	£98,010
Hampshire County Council	£116,519
Hertfordshire County Council	£142,067
Kent County Council	£155,925
Lancashire County Council	£112,995
Leicestershire County Council	£76,950
Lincolnshire County Council	£107,325
Norfolk County Council	£117,045
North Yorkshire County Council	£94,490
Northamptonshire County Council	£137,660
Nottinghamshire County Council	£98,213
Oxfordshire County Council	£109,958

Value over time



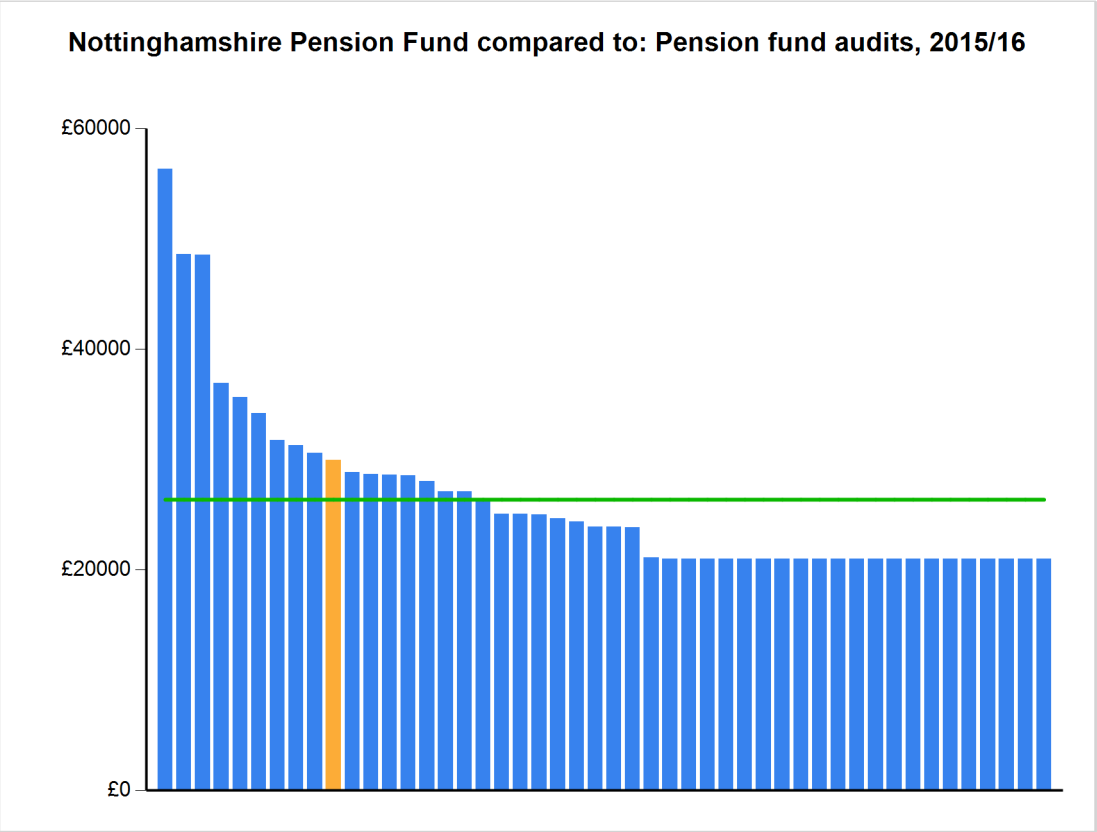
Somerset County Council	£99,873
Staffordshire County Council	£109,755
Suffolk County Council	£90,518
Surrey County Council	£142,098
Warwickshire County Council	£94,539
West Sussex County Council	£117,612
Worcestershire County Council	£95,446

	2013/14	2014/15	2015/16
Scale fee	£130,950	£130,950	£98,213

Scale fee

Scale fee figures are published at the start of the financial year to which they relate. Final fee data is collected when the audit is complete.

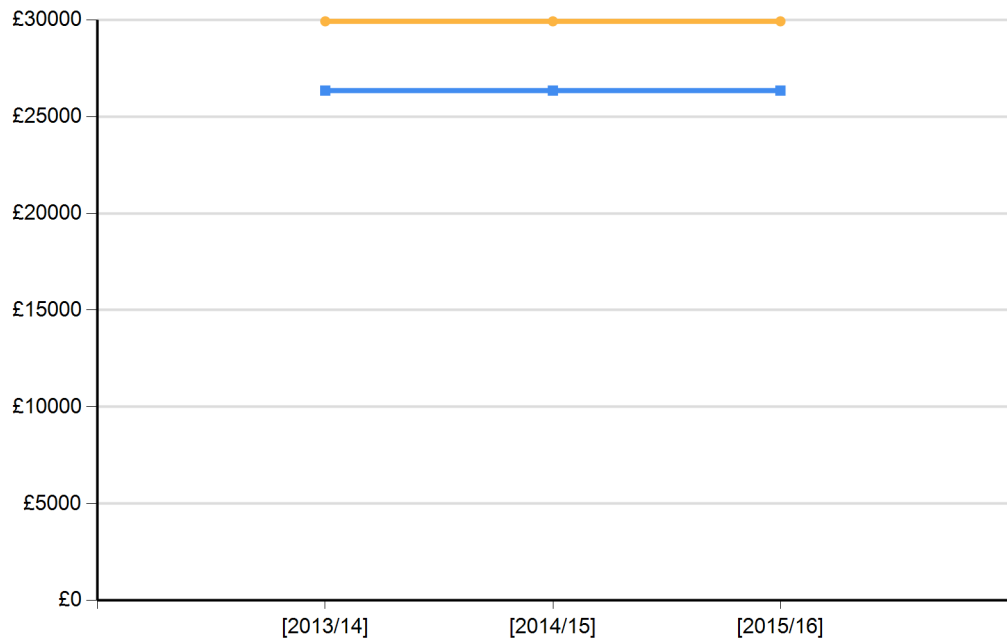
Source: PSAA (formerly Audit Commission) (Audit fees)



Body Name	Value
Avon Pension Fund	£28,805
Barking and Dagenham Pension Fund	£21,000
Bexley Pension Fund	£21,000
Brent Pension Fund	£21,000
Buckinghamshire Pension Fund	£25,033
Camden Pension Fund	£21,000
City of Westminster Pension Fund	£21,000
Croydon Pension Fund	£21,000
Cumbria Pension Fund	£24,620
Derbyshire Pension Fund	£28,672
Devon Pension Fund	£28,603
Ealing Pension Fund	£21,000
Essex Pension Fund	£31,266
Gloucestershire Pension Fund	£23,799
Greater Manchester Pension Fund	£56,341
Greenwich Pension Fund	£21,000
Hackney Pension Fund	£21,000
Hammersmith and Fulham Pension Fund	£21,000
Hampshire Pension Fund	£31,743

Value over time

— Average — Nottinghamshire Pension Fund



Hertfordshire Pension Fund	£27,991
Hounslow Pension Fund	£21,000
Isle of Wight Pension Fund	£21,085
Islington Pension Fund	£21,000
Kensington and Chelsea Pension fund	£21,000
Kent Pension Fund	£30,568
Kingston upon Thames Pension Fund	£21,000
Lancashire Pension Fund	£34,169
Lewisham Pension Fund	£21,000
Lincolnshire Pension Fund	£24,350
Merseyside Pension Fund	£36,882
Merton Pension Fund	£21,000
Norfolk Pension Fund	£27,099
Nottinghamshire Pension Fund	£29,926
Richmond Pension Fund	£21,000
Somerset Pension Fund	£23,859
Southwark Pension Fund	£21,000
Suffolk Pension Fund	£25,026
Surrey Pension Fund	£27,105
Sutton Pension Fund	£21,000
Teesside Pension Fund	£28,535
Tower Hamlets Pension Fund	£21,000
Tyne and Wear Superannuation Fund	£35,648
Waltham Forest Pension Fund	£21,000
Warwickshire Pension Fund	£23,892
West Midlands Superannuation Fund	£48,618

West Sussex Pension Fund	£26,447
West Yorkshire Pension Fund	£48,546
Worcestershire Pension Fund	£24,963

	2013/14	2014/15	2015/16
Scale fee	£29,926	£29,926	£29,926

**REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT AND
IMPROVEMENT**

PROCUREMENT UPDATE

Purpose of the Report

1. To consider a progress report on the Council's Corporate Procurement activity over the course of the last 12 months

Information and Advice

2. The Audit Committee has requested a brief presentation on the progress of the Procurement Service within the Authority. The presentation will provide the opportunity for Audit Committee members to receive an update on the previous 12 months in the service and future plans.

Other Options Considered

3. None

Reason/s for Recommendation/s

4. To provide information to Members on the progress of the procurement service.

Statutory and Policy Implications

5. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

- 1) That Members of the Audit Committee note the progress of the Procurement Service within the Authority.

Nigel Stevenson
Service Director (Finance, Procurement and Improvement)

For any enquiries about this report please contact:
Clare Winter – Group Manager Procurement

Constitutional Comments

6. The report is to provide information.

Financial Comments (NS 05/11/2015)

7. There are direct financial implications arising from this report.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

Procurement Update

Clare Winter – Group Manager
Procurement



Nottinghamshire
County Council

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Where have we come from?



Some of the issues/barriers

- Procurement staff do not have the appropriate category or market knowledge
- I have concerns about the skill levels of our procurement people
- Procurement do not have the resources to deliver our requirements
- I am not sure what value they add to our area
- We never see the same person, there is no consistency and I don't know people in procurement well
- I have worked with procurement in the past but it has not been successful
- Procurement only focus on savings
- We don't have the time to go through the bureaucratic procurement process, and they are inflexible in the way that they work.

A Year of Change

- Established permanent team
- Better integration with commissioners
- Working with commissioners and providers
- Key relationships built with legal and finance
- Market engagement
- Contracts database



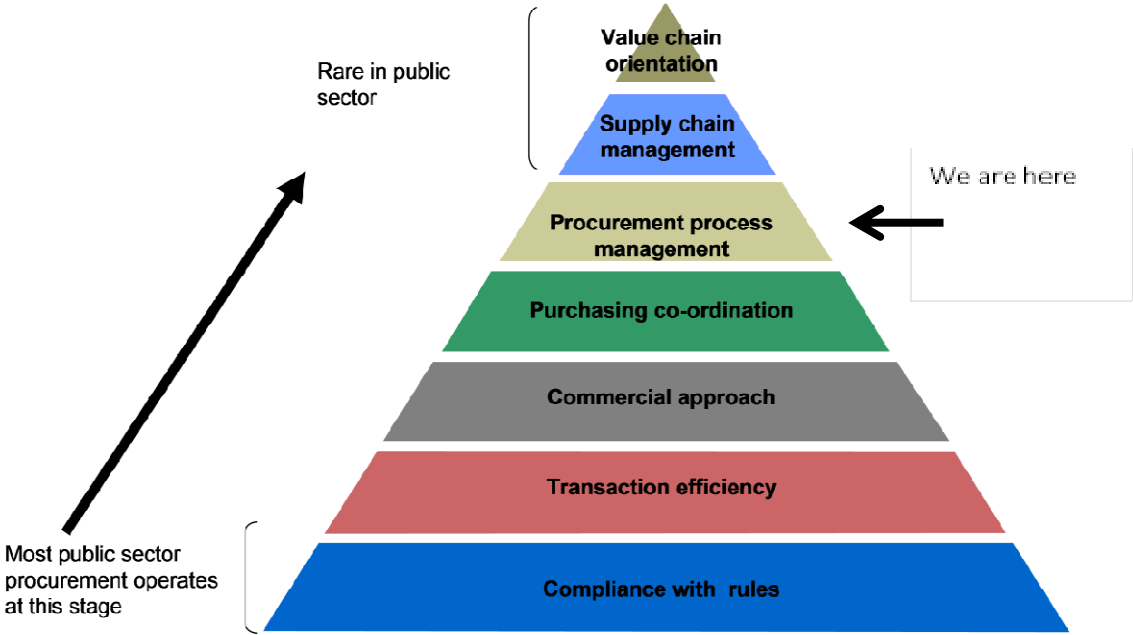
A Year of Change

- Procurement strategy
- Improved collaboration
- Procurement and Commissioning board
- Integration of Health and Social Care
- ASDM
- Savings



Where are we?

Stages of procurement development



Where are we going?

- Re structure
- Working with commissioners and providers
- Supporting ASDM
- Integrating Health and Social Care
- New project management approach



Meet the buyer event Spring 2016

- We need to engage with our local supply market
- 487 contracts 186 of them been awarded to SMEs and 26 of them to Voluntary Sector Organisations.

Total Vendors	Local	SME	Not for Profit	Others
20,068	6,331	3,808	194	9,735

Category Management Development?

Supplier Relationship Management &
Contract Management







**REPORT OF CORPORATE DIRECTOR, POLICY, PLANNING AND
CORPORATE SERVICES**

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme for 2015/16.

Information and Advice

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the committee's agenda, the scheduling of the committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and committee meeting. Any member of the committee is able to suggest items for possible inclusion.
3. The attached work programme has been drafted in consultation with the Chairman and Vice-Chairman, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.
4. As part of the transparency introduced by the revised committee arrangements from 2012, committees are expected to review day to day operational decisions made by officers using their delegated powers. It is anticipated that the committee will wish to commission periodic reports on such decisions. The committee is therefore requested to identify activities on which it would like to receive reports for inclusion in the work programme.

Other Options Considered

5. None.

Reason/s for Recommendation/s

6. To assist the committee in preparing its work programme.

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are

described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That the committee's work programme be noted, and consideration be given to any changes which the committee wishes to make.

Jayne Francis-Ward
Corporate Director, Policy, Planning and Corporate Services

For any enquiries about this report please contact: Sarah Ashton x 73962

Constitutional Comments (HD)

8. The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (NS)

9. There are no financial implications arising directly from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

AUDIT COMMITTEE - WORK PROGRAMME

<u>Report Title</u>	<u>Brief summary of agenda item</u>	<u>For Decision or Information</u>	<u>Lead Officer</u>	<u>Report Author</u>
16 March 2016				
Statement of Accounts 2015/16 – Accounting Policies	To outline proposed changes to the accounting policies used for the Authority’s Statement of Accounts for 2015/16 for review and approval	Decision	Nigel Stevenson	Glen Bicknell
Internal Audit Plan for 2016/17	Report from the Head of Internal Audit providing details of the planned work for 2015/16	Information	John Bailey	John Bailey
External Audit Plan 2015/16	To provide information on the External Auditors’ Audit Plan for their 2015/16 Audit.	Information	Nigel Stevenson	Glen Bicknell / External Auditor
Certification of Grants and Returns 2014/15	To provide information on the External Auditors’ Annual Report 2014/15 on the certification of Grants and Returns	Information	Nigel Stevenson	Glen Bicknell / External Auditor
Briefing – Subject TBA	Information given to Members to help them understand the Audit process	Information	John Bailey	John Bailey
8 June 2016				
Annual External Audit Fees	To inform Members of proposed external audit fees for 2016/17	Information	Nigel Stevenson	Glen Bicknell / External Auditor
Mandatory Inquiries	To provide information on the External Auditors’ requirement for the provision of information regarding the Council’s approach to dealing with fraud, litigation, laws and regulations as part of their audit.	Decision	Nigel Stevenson	Nigel Stevenson
Internal Audit Report 2015/16	Report of the Head of Internal Audit providing an internal audit opinion on the Authority’s level of internal control during 2015/16	Information	John Bailey	John Bailey
Financial Regulations Waivers 2015/16	Inform Members of any braches of / and waivers of the Council’s Financial Regulations	Information	Clare Winter	Clare Winter

<u>Report Title</u>	<u>Brief summary of agenda item</u>	<u>For Decision or Information</u>	<u>Lead Officer</u>	<u>Report Author</u>
Draft Annual Governance Statement 2015/16	Review and comment on the draft Annual Governance Statement prior to being forwarded on to Full Council to accompany the Statement of Accounts	Decision	John Bailey	John Bailey
Briefing – Subject TBA	Information given to Members to help them understand the Audit process	Information	John Bailey	John Bailey
?? September 2016				
External Audit Annual Governance Reports	To receive for information, and comment, the External Auditor's Annual Governance Reports on the County Council and Pension Fund, prior to these being forwarded to Full Council for approval	Information	Nigel Stevenson	Glen Bicknell / External Auditor
Review of Financial Regulations	To review and update the Financial Regulations	Decision	Nigel Stevenson	Glen Bicknell
Briefing – Subject TBA	Information given to Members to help them understand the Audit process	Information	John Bailey	John Bailey
?? December 2016				
Internal Audit Progress report for 2016/17	To provide details of internal audit work completed to the end of September 2016	Information	John Bailey	John Bailey
Review of Financial Regulations	To review and update the Financial Regulations	Decision	Nigel Stevenson	Glen Bicknell
External Audit – Annual Audit Letter 2015/16	KPMG summarises the findings from work carried out by the external auditors over the last financial year (2015/16)	Information	Nigel Stevenson	Glen Bicknell / External Auditor
Briefing – Subject TBA	Information given to Members to help them understand the Audit process	Information	John Bailey	John Bailey