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External audit progress report and technical update

Humberside Fire Authority
April 2014

This report provides the Authority 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

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Progress report

This document provides the Authority 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>Our Audit Plan has been discussed and agreed with officers and presented to the Governance, Audit and Standards Committee and the Fire Authority in February 2014.</p> <p>We have now completed our interim audit visit, the findings are included in our interim report on the agenda today.</p> <p>We have planned to start our work on your draft accounts on 24 June 2014.</p>
Value for Money	<p>We have started the work required to give our value for money conclusion and reviewed an assessment prepared by the Director of Finance. The work will be completed during our visit in late June/early July. At this stage we have no issues to report.</p>
Other work	<p>KPMG Indirect Tax colleagues are carrying out a piece of work with the Authority's finance team. A fee between £5,000 to £6,000 has been agreed. The work involves two elements reviewing the partial exemption calculation and some bespoke training.</p>



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Technical update

Area	Level of Impact	Comments	KPMG perspective
Final local government finance settlement 2014/15	<p style="text-align: center;">●</p> <p style="text-align: center;">High</p>	<p>On 5 February 2014 the Government published the final local government finance settlement for 2014/15. In addition, the Government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum.</p> <p>For more information, visit https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2014-to-2015</p>	<p><i>The Authority may wish to consider the progress made on addressing the funding cuts and the impact this has on services</i></p>
Draft order published reflecting changes to council tax calculations	<p style="text-align: center;">●</p> <p style="text-align: center;">High</p>	<p>The draft Localism Act 2011 (Consequential Amendments) Order 2014 was published on 9 January 2014. It proposes changes to sections 73 to 79 of the Localism Act 2011 that require billing authorities, major precepting authorities and local precepting authorities in England to calculate a council tax requirement for a financial year. Previously, such authorities were obliged to calculate a budget requirement for a financial year.</p> <p>The draft Order makes amendments to:</p> <ul style="list-style-type: none"> • section 31A(5) of the Local Government Finance Act 1992 (LGFA 1992) to exclude sums that have been or are transferred from an authority's general fund to its collection fund; • section 42A of the LGFA 1992 to ensure that grant repayments are taken into account as expenditure under section 85(4)(a) of the Greater London Authority Act 1999 (GLA 1999); and • schedule 6 of the GLA 1999 to provide that, if the approved consolidated budget or council tax requirement is found to be excessive, the GLA must agree a substitute consolidated budget or council tax requirement before (or after) the end of the financial year, if it has not already done so. <p>The draft Order will have effect in relation to financial years beginning 1 April 2014.</p>	<p><i>The Authority may wish to consider whether the Authority has considered the impacts of the proposed changes when assessing their council tax requirement for 2014/15 and beyond</i></p>

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Area	Level of Impact	Comments	KPMG perspective
Annual fraud and corruption survey 2013/14	<p>● Low</p>	<p>On 7 April 2014 the Audit Commission plans to issue its annual fraud and corruption survey to local authorities.</p> <p>The survey will ask officers for information about all detected fraud and corruption for the financial year 2013/14, and, as in previous years, the intention is to carry this out under section 48 of the Audit Commission Act 1998. The survey will be open for officers to complete and submit between 7 April 2014 and 16 May 2014.</p> <p>As in previous years, auditors will be asked to review the data for consistency with their existing knowledge of the Authority.</p>	<p><i>The Authority should put arrangements in place to capture the information required for the survey and complete it before the deadline</i></p>
Local authority Fraud Briefings	<p>● Low</p>	<p>The Audit Commission has developed fraud briefings that are individually tailored presentations for London boroughs, metropolitan and unitary authorities, county councils and district councils. Fraud briefings will contain comparative information on each council's fraud detection results and we will make these available to support auditors' communications with those responsible for governance in each council.</p> <p>The Fraud Briefings have been developed by the Commission's counter-fraud team and provide contextual and comparative benchmark data.</p>	<p><i>If you would like to receive the fraud briefings at the Authority, please contact a member of your audit team.</i></p>

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Area	Level of Impact	Comments
Future of local audit – consultation on secondary legislation	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The Department of Communities and Local Government (DCLG) carried out a 4 week consultation from 25 November 2013 on the secondary legislation that may be needed to give effect to the new local audit arrangements set out in the Local Audit and Accountability Bill, currently before Parliament.</p> <p>For more information on the future of local audit, visit the DCLG website: http://localaudit.readandcomment.com/</p>
Local Audit and Accountability Act 2014	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The Local Audit and Accountability Act 2014 received Royal Assent on 30 January. The Act makes it possible for the Audit Commission to close, in line with the Government’s expectations, on 31 March 2015. In its place there will be a new framework for local public audit, due to start after the Commission’s current contracts with audit suppliers end in 2016/17, or in 2019/20 if they are extended. A transitional body will oversee the contracts in the intervening period.</p> <p>In the statement the Commission’s Chairman explains the main aims of the organisation in its final 14 months. Jeremy Newman also confirms plans are already in place for many of the residual responsibilities that will transfer to new organisations and highlights those for which a new owner has not yet been agreed.</p> <p>The Audit Commission’s press release is available to view on its website: http://www.audit-commission.gov.uk/2014/01/finish-line-in-sight-for-audit-commission/</p>
Are other local authorities making more money? (CIPFA article)	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>“In this period of prolonged austerity, it is essential for local authorities to take advantage of the various income generation streams available to them if they wish to raise additional revenue as a means of providing funding for services. “</p> <p>Read the full article at: http://www.cipfa.org/policy-and-guidance/articles/are-other-local-authorities-making-more-money</p>
Councils show financial resilience, but must continue adapting (Audit Commission report)	<p style="text-align: center;">●</p> <p style="text-align: center;">For information</p>	<p>The Audit Commission’s latest research, Tough Times 2013: Councils’ Responses to Financial Challenges From 2010/11 to 2013/14, shows that England’s councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. But, the Commission says, with uncertainty ahead, councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.</p> <p>The report can be viewed at: http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf</p>

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Appendix

Appendix 1 – 2013/14 Audit deliverables

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We discuss and agree each report with the Authority's officers prior to publication.

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2013	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	February 2014	Complete
Interim			
Interim report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Authority's arrangements for securing value for money in the use of its resources.	March 2014	Complete (on agenda today)
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 Authority's value for money arrangements.	September 2014	TBC
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 2014	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2014	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2014	TBC



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