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# External audit technical update

**Wiltshire Council**

June 2015

The report 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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# KPMG resources

Area	Comments
<p><b>Governance Arrangements work over the Better Care Fund.</b></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"> <li>■ Governance arrangements.</li> <li>■ Engagement and communication.</li> <li>■ Hosting arrangements.</li> <li>■ Signed agreement.</li> <li>■ Performance management.</li> <li>■ Financial management.</li> </ul> <p>For more information, please contact Adam Bunting (<a href="mailto:adam.bunting@kpmg.co.uk">adam.bunting@kpmg.co.uk</a>, 0117 905 4470 or 0787 613 7589)</p>

Area	Comments
<b>Better Care Fund Support Programme</b>	<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"> <li>■ Conferences, webinars and regional clinics – to explore the barriers to change and develop local plans to overcome them;</li> <li>■ The Better Care Exchange – an online interactive space for knowledge sharing and collaboration (currently in development);</li> <li>■ Virtual clinics – telephone support for BCF leads to discuss individual site issues with integration experts; and</li> <li>■ Coaching and support – to enable good practice and insight gathering from within the BCF programme to support Better Care Learning Partners.</li> </ul> <p>A number of 'How to guides' have been developed on how to:</p> <ul style="list-style-type: none"> <li>■ lead and manage Better Care implementation: <a href="http://www.scie.org.uk/about/files/nhs-england-bcf-leadership-how-to-guide.pdf">www.scie.org.uk/about/files/nhs-england-bcf-leadership-how-to-guide.pdf</a></li> <li>■ bring budgets together and use them to develop coordinated care provision: <a href="http://www.scie.org.uk/about/files/nhs-england-bcf-budgets-how-to-guide.pdf">www.scie.org.uk/about/files/nhs-england-bcf-budgets-how-to-guide.pdf</a></li> <li>■ work together across health, care and beyond: <a href="http://www.scie.org.uk/about/files/how-to-work-together-across-health-care-and-beyond.pdf">www.scie.org.uk/about/files/how-to-work-together-across-health-care-and-beyond.pdf</a></li> </ul> <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"> <li>■ Joint working;</li> <li>■ Section 75 Arrangements – Pooled and unpooled budgets; and</li> <li>■ Data sharing;</li> </ul> <p>More details on the programme, and a link to the webinar recordings, can be found on the SCIE website at <a href="http://www.scie.org.uk/about/partnerships-better-care.asp">www.scie.org.uk/about/partnerships-better-care.asp</a></p> <p>For more information, please contact Adam Bunting (<a href="mailto:adam.bunting@kpmg.co.uk">adam.bunting@kpmg.co.uk</a>, 0117 905 4470 or 0787 613 7589)</p>

Area	Comments
<b>Audit Committee Institute: Local Government Seminar Series – Winter 2015</b>	<p>Our Audit Committee Institute ('ACI') events have been designed to provide you with sessions that help you consider the challenges faced by Local Government bodies today, and to help you think about the questions you want to be asking in relation to the assurance you need.</p> <p>Our bespoke seminars are tailored to your needs, offering you the opportunity to discuss and share best practice with your peers. They will encourage and spark debate and give you the opportunity to reflect on your role and how your organisation can meet the challenges ahead.</p> <p>Our Winter Local Government sessions will be led by specialists from our dedicated Local Government practice and will focus on hot topics in the sector.</p> <p>The Leeds event will take place on 15 October 2015 from 6pm.</p> <p>Invites will be sent to Audit Committee members in Summer 2015.</p> <p>For more information, please contact Adam Bunting (<a href="mailto:adam.bunting@kpmg.co.uk">adam.bunting@kpmg.co.uk</a>, 0117 905 4470 or 0787 613 7589)</p>
<b>Integration of Health and Social Housing – Drinks Reception and Presentation</b>	<p>In the context of the General Election and the devolution of health and social care budgets in Greater Manchester, Stephen Dorrell will discuss his views on the links between health and social housing and the potential solutions that lie in greater partnership between these sectors.</p> <p>Stephen Dorrell is Senior Adviser to KPMG in the UK, Healthcare and Public Sector. Stephen was an MP for 35 years and is widely known as a reformer. He has a wealth of knowledge and experience having advised on sensitive political changes, major service reconfigurations and long term strategies for organisation – and system wide – reform.</p> <p>Stephen's presentation will be followed by a Q&amp;A session and an opportunity to discuss this topic with senior figures from the worlds of social housing, health, property, and local government.</p> <p>The event takes place on Wednesday 24 June 2015 from 6.00pm to 7.30pm</p> <p>Venue KPMG office 1 St Peter's Square, Manchester, M2 3AE</p> <p>To accept the invitation or for further information contact: <a href="mailto:rebecca.frost@kpmg.co.uk">Rebecca Frost Tel:0113 2542986, email: rebecca.frost@kpmg.co.uk</a></p>



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# Technical update

Area	Level of impact	Comments	Council Response
<p><b>NAO report: Public Health England's grant to local authorities</b></p>	<p>● Medium</p>	<p>This report finds that Public Health England ('PHE') has made a good start in supporting local authorities with their new responsibilities for public health. The National Audit Office ('NAO') considers however that it is too early to tell whether PHE's approach is achieving value for money. Auditors may find that the report is helpful when planning their work on the 2014/15 conclusion on arrangements to secure VFM.</p> <p>PHE provides advice to local authorities on public health and gives them a ring-fenced grant to carry out their new public health responsibilities – £2.7 billion in 2013/14. The agency has, however, encountered some problems with the accuracy of how local authorities record what has been spent on public health.</p> <p>Spending on different aspects of public health varies significantly between local authorities, reflecting the differing needs and circumstances of different areas. The NAO found, however, examples where spending decisions were not obviously aligned to local needs and priorities. The NAO found that PHE could do more to identify these examples and offer appropriate advice and support to local authorities.</p> <p>Authorities may find that the report is helpful when assessing their arrangements for their new responsibilities for public health. The report is available on the NAO website at <a href="http://www.nao.org.uk/report/public-health-englands-grant-to-local-authorities/">www.nao.org.uk/report/public-health-englands-grant-to-local-authorities/</a></p>	<p><i>The council is aware and has considered the matter in its planning.</i></p>



Area	Level of impact	Comments	Council Response
<p><b>LAAP bulletin 101: accounting for non-current assets used by local authority maintained schools</b></p>	<p>● Medium</p>	<p>In December 2014 CIPFA issued <i>LAAP bulletin 101: accounting for non-current assets used by local authority maintained schools</i>. The bulletin focuses on the accounting treatment for the non-current assets used by schools under the Code.</p> <p>The bulletin is based on information that CIPFA has received from the national faith representative bodies and CIPFA cannot confirm whether these arrangements operate as described locally. Paragraph 33 of the Bulletin therefore concludes:</p> <p style="padding-left: 40px;">“Local authorities will need to establish that the situation and analysis exists for VA [voluntary aided], VC [voluntary controlled] schools and foundation schools where assets are owned by religious bodies in their area and assure themselves as to the extent to which this situation is applicable.”</p> <p>However, it is the view of the bulletin that for most VA and VC schools, the local authority would not reflect the value of the school buildings or land within their financial statements.</p> <p>The bulletin also addresses the issue of foundation schools; at these schools, the school’s main non-current assets are often owned by a trust. The bulletin advises that where the trust is under the common control of the school then the non-current assets should be recognized by the local authority.</p> <p>The bulleting can be found on CIPFA’s website at <a href="http://www.cipfa.org/policy-and-guidance/laap-bulletins/laap-101">www.cipfa.org/policy-and-guidance/laap-bulletins/laap-101</a></p>	<p><i>The council is aware and has considered the matter in its planning.</i></p>

Area	Level of Impact	Comments	Council Response
<p><b>LAAP Bulletin 103: closure of the 2014/15 accounts and related matters</b></p>	<p>● Low</p>	<p>On 27 March CIPFA issued <i>LAAP Bulletin 103: closure of the 2014/15 accounts and related matters</i> which clarifies a number of issues with regard to the preparation of 2014/15 financial statements in response to FAQs in relation to:</p> <ul style="list-style-type: none"> <li>■ accounting for local authority maintained schools in England and Wales;</li> <li>■ accounting for local authority maintained schools transferring to academy status;</li> <li>■ <i>LAAP Bulletin 102: accounting for collaboration – transition issues</i>; and</li> <li>■ amendments to the 2015/16 Code regarding the frequency of valuations.</li> </ul> <p>The Bulletin also highlights a number of other issues affecting the closure of the 2014/15 accounts:</p> <ul style="list-style-type: none"> <li>■ accounting standards that have been issued but have not yet been adopted, including IFRS 13 Fair Value Measurement;</li> <li>■ use of example financial statements for preparation of the 2014/15 accounts; and</li> <li>■ technical alerts, including changes to holiday pay calculations following recent Employment Appeal Tribunal rulings and NDR provisions for refunds granted on appeal against the rateable value of business properties.</li> </ul> <p>For future accounting periods, the Bulletin also provides an update on issues affecting 2015/16 and on the measurement of transport infrastructure assets in 2016/17. The final section of the Bulletin includes an update from HM Treasury and the Department for Communities and Local Government covering the Whole of Government Accounts return for 2014/15.</p> <p>The bulletin can be found on CIPFA’s website at <a href="http://www.cipfa.org/policy-and-guidance/laap-bulletins/laap-103-closure-201415-accounts">www.cipfa.org/policy-and-guidance/laap-bulletins/laap-103-closure-201415-accounts</a></p>	<p><i>The council is aware and has considered the matter in its planning.</i></p>

Area	Level of impact	Comments	Council Response
<b>LAAP bulletin 102: accounting for collaboration – transition issues</b>	<p style="text-align: center;">● Low</p>	<p>On 16 February CIPFA issued the <i>LAAP bulletin 102: accounting for collaboration – transition issues</i>. The bulletin provides guidance on issues that may arise when making the transition to the new requirements for collaborative arrangements under the revised provisions of the <i>Code of Practice on Local Authority Accounting in the UK 2014/15</i> ('the Code'). Chapter 9 Group Accounts of the Code contains revised provisions following the issue of new IFRS standards and the amendment of related existing standards. The bulletin deals with issues specifically relating to making the transition from the old to the new arrangements.</p> <p>The new provisions affect three main areas:</p> <ol style="list-style-type: none"> <li>1. a new definition of subsidiaries based on a remodelled control test (IFRS 10 Consolidated Financial Statements);</li> <li>2. new classifications for joint operations and joint ventures (IFRS 11 Joint Arrangements); and</li> <li>3. extended and revised disclosure requirements for group accounts (IFRS 12 Disclosure of Interests in Other Entities).</li> </ol> <p>The bulletin deals with issues specifically relating to making the transition from the old to the new arrangements.</p> <p>The bulleting can be found on CIPFA's website at <a href="http://www.cipfa.org/policy-and-guidance/laap-bulletins/laap-102">www.cipfa.org/policy-and-guidance/laap-bulletins/laap-102</a></p>	<p><i>The council is aware and has considered the matter in its planning.</i></p>

Area	Level of impact	Comments	Council Response
<b>The Accounts and Audit Regulations 2015</b>	<p style="text-align: center;">● Low</p>	<p>On 17 February 2015 the <i>Accounts and Audit Regulations 2015</i> ('the Regulations') were laid before Parliament, having been signed by the Minister under the <i>Local Audit and Accountability Act 2014</i> on 12 February. Authorities should note, however, that the 2011 regulations, which were issued under the Audit Commission Act 1998, continue to apply for the completion of 2014/15 audits.</p> <p>Wiltshire Council is a Category 1 authority under the Regulations. As such, the major changes arising from the regulations will be:</p> <ul style="list-style-type: none"> <li>■ the removal of the 30 June deadline for the section 151 officer to certify the financial statements; and</li> <li>■ moving the deadline for issuing the audit certificate and publishing the financial statements from 30 September to 31 July, from 2016/17 onwards.</li> </ul> <p>The rest of the 2015 regulations come into effect for financial years beginning on or after 1 April 2015 and therefore will first apply for 2015/16 audits.</p> <p>The Regulations can be found on the UK Legislation website at <a href="http://www.legislation.gov.uk/ukxi/2015/234/contents/made">www.legislation.gov.uk/ukxi/2015/234/contents/made</a></p>	<p><i>The council is aware and has considered the matter in its planning.</i></p>
<b>NAO Code of Audit Practice 2015/16</b>	<p style="text-align: center;">● Low</p>	<p>Following its public consultation, the NAO's final draft Code of Audit Practice was laid in Parliament on Monday 12 January 2015; it has now been approved.</p> <p>The Code will apply for audits relating to financial year 2015/16 and beyond. The former Audit Commission Code continues to apply for 2014/15 audits</p> <p>Further details can be found on the NAO website at <a href="http://www.nao.org.uk/code-audit-practice/">http://www.nao.org.uk/code-audit-practice/</a></p>	<p><i>The council is aware and has considered the matter in its planning.</i></p>

Area	Level of impact	Comments	Council Response
<b>Audit Commission VFM profiles: Update</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>Low</b></p>	<p>The Audit Commission’s value for money (‘VFM’) profiles are now updated and contain the following changes:</p> <ol style="list-style-type: none"> <li>1. The latest 2013/14 data for the revenue outturn returns now shows in all relevant sections.</li> <li>2. A new section about public health spending contains the relevant spend data, context and performance measures. This section has six sub sections covering: <ul style="list-style-type: none"> <li>■ adults physical health;</li> <li>■ children’s physical health;</li> <li>■ sexual health;</li> <li>■ smoking and tobacco;</li> <li>■ substance misuse; and</li> <li>■ other services and programmes.</li> </ul> </li> <li>3. The nearest neighbours’ groupings have been updated using the latest groupings published by CIPFA in November 2014. Although the methodology for the groupings has not changed, the data that is used within the methodology has been updated to create the new groupings.</li> <li>4. The financial resilience section has been updated with the relevant expenditure data related to income from the rates retention scheme and the spend on administration of council tax local support.</li> <li>5. All other performance and contextual datasets where possible have the latest available data (with the exception of the children and young people and adults sections which will be updated later in the year as more data becomes available).</li> </ol> <p>Auditors may find reference to the updated profiles helpful when planning their work on the 2014/15 conclusion on arrangements to secure VFM.</p> <p>The VFM profiles are now maintained by the PSAA and are available on their website at <a href="http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing">http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing</a></p>	<p><i>The council is aware and has considered the matter in its planning.</i></p>

Area	Level of impact	Comments	Council Response
<p><b>Transfer of Audit Commission responsibilities from 1 April 2015</b></p>	<p>● Low</p>	<p>As outlined in our January <i>External Audit Technical Update</i>, from 1 April 2015, Public Sector Audit Appointments ('PSAA'), set up by the Local Government Association as an independent company, oversees the Commission's audit contracts. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for housing benefit subsidy certification and for publishing the Commission's value for money profiles tool has also transferred to PSAA.</p> <p>The Commission's other functions have transferred to new organisations, with local value for money studies as well as responsibility for the Code of Audit Practice transferring to the NAO. Following its public consultation, the NAO's final draft Code of Audit Practice was laid in Parliament on Monday 12 January 2015. The Code will apply for audits relating to financial year 2015/16 and beyond; 2014/15 audits will continue under the existing Audit Commission's 2010 Code.</p> <p>The National Fraud Initiative continues and has now been transferred to the Cabinet Office.</p> <p>The Commission recently wrote to audited bodies and other stakeholders with more information about the transfer of the Commission's functions and where to find details on specific questions.</p> <p>The PSAA website: <a href="http://www.psa.co.uk/">www.psa.co.uk/</a></p> <p>The NAO website: <a href="http://www.nao.org.uk/code-audit-practice/#">www.nao.org.uk/code-audit-practice/#</a></p> <p>The Cabinet Office website: <a href="http://www.gov.uk/government/collections/national-fraud-initiative">www.gov.uk/government/collections/national-fraud-initiative</a></p>	<p><i>The council is aware and has considered the matter in its planning.</i></p>

Area	Level of Impact	Comments	Council Response
<p><b>CIPFA Treasury and Capital Management Panel bulletin – April 2015 update</b></p>	<p>● Low</p>	<p>CIPFA’s Treasury and Capital Management Panel has issued its latest bulletin. These bulletins contain topical treasury management issues which may be of relevance to local authority treasury teams. The latest bulletin covers:</p> <ul style="list-style-type: none"> <li>■ Public Works Loan Board (PWLB) governance changes;</li> <li>■ regulatory changes;</li> <li>■ Lender’s Option, Borrower’s Option loans (LOBOs);</li> <li>■ IFRS 13 and IFRS 9;</li> <li>■ Islamic finance;</li> <li>■ publications update; and</li> <li>■ UK Municipal Bonds Agency.</li> </ul> <p>The bulletin can be found on CIPFA’s website at <a href="http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/treasury-and-capital-management-panel/newsletters-and-bulletins">www.cipfa.org/policy-and-guidance/technical-panels-and-boards/treasury-and-capital-management-panel/newsletters-and-bulletins</a></p>	<p><i>The council is aware and has considered the matter in its planning.</i></p>

Area	Level of impact	Comments
<b>Audit Commission report: Data quality matters</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>In February 2015 the Audit Commission published its report, <i>Data quality matters</i>, which reports on the past work of the Commission and its appointed auditors in relation to data quality. The report reinforces the enduring importance of the standards for better quality data which the Commission had previously issued, summarising the past data quality work, drawing out key messages and highlights learning points for future consideration of arrangements to assure data quality by those responsible for governance in audited bodies.</p> <p>The report is available from the Commission’s website at <a href="http://www.audit-commission.gov.uk/2015/02/data-quality-matters/">www.audit-commission.gov.uk/2015/02/data-quality-matters/</a></p>





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