

### **Audit committee**

**Date:** Tuesday, 19 January 2016

**Time:** 16:30

**Venue:** Mancroft room, City Hall, St Peters Street, Norwich, NR2 1NH

#### **Committee members:**

##### **Councillors:**

Neale (chair)  
Wright (vice chair)  
Boswell  
Bradford  
Driver  
Harris  
Howard  
Kendrick

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## Agenda

### Page no

#### 1      **Apologies**

To receive apologies for absence

#### 2      **Public questions/petitions**

To receive questions / petitions from the public (notice to be given to committee officer in advance of the meeting in accordance with appendix 1 of the council's constitution)

#### 3      **Declarations of interest**

(Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting)

#### 4      **Minutes**

**5 - 8**

To agree the accuracy of the minutes of the meeting held on 17 November 2015.

#### 5      **Certification of claims and returns annual report 2014-15**      **9 - 20**

**Purpose** - This report presents the Certification of claims and returns annual report 2014-15

#### 6      **Internal audit 2015-16 – November to December update**      **21 - 40**

**Purpose** - To advise members of the work of internal audit between November and December 2015, and progress against the 2015-16 internal audit plan.

#### 7      **Local government audit committee briefing**      **41 - 52**

For information only

Briefing note provided by Ernst & Young, the council's external auditors, for audit committees in the local government sector.

Date of publication: **Monday, 11 January 2016**



**Audit committee****16:30 to 17:15****17 November 2015**

Present: Councillors Neale (chair), Wright (vice chair), Bradford, Harris, Boswell, Howard and Kendrick

Apologies: Councillor Driver

**1. Public questions/petitions**

There were no public questions or petitions received.

**2. Declarations of interest**

There were no declarations of interest.

**3. Minutes****Item 7, Internal audit 2015-16 – June to August update**

The chief finance officer referred to the minute relating to the agreement that had been made with the county council to fund the review of council tax single person discounts and explained that the county council would be funding 70% of the costs for this exercise. A footnote would be added to the minutes to this effect for clarification.

**RESOLVED** to approve the accuracy of the minutes of the meetings held on 22 September 2015, subject to the addition of a footnote to clarify the county council's contribution to the funding of the review of council tax single person discounts.

**4. Annual audit letter**

The chief finance officer introduced the report and the external auditor presented the annual audit letter. In accordance with best practice, the letter had been circulated to all members of the council and published on the council's website by 31 October 2015. The committee was advised that changes to accounting and auditing arrangements which could impact on the council's production of its financial statements. The main challenges were changes in accounting for highways network

assets and the earlier deadline for the production and audit of the financial statements from 2017-18.

During discussion a member referred to the council's medium term financial strategy (MTFS) and the significant financial challenges that it would face over the next three to four years as sources of external funding were reduced. He commented on the council's approach to the future government funding and phasing out the New Homes Bonus from its formula funding by 2019-20 and asked how the compulsory 1% reduction in social housing rents over the next four years would fit into this timeframe. The chief finance officer said that she considered that there was some flexibility to absorb the loss of revenue from the 1% rent reduction and she would be discussing this with the external auditors. However, these were uncertain times and the full implications of the Housing and Planning Bill 2015 had not been determined. The external auditor advised the committee that it was the role of external audit to ensure that the council had appropriate arrangements in place.

**RESOLVED** to receive the annual audit letter from the council's external auditors.

## **5. Risk management report**

The internal audit manager (LGSS) presented the report.

During discussion on the risk register, the chief finance officer said that risk no 8, housing investment, would be reviewed following the outcome of the Housing and Planning Bill 2015. The internal audit manager advised members that the head of planning services had recommended that the residual risk score for risk no A6, Joint Core Strategy (JCS) was increased by a point but the overall residual score still remained as amber. The head of HR and learning considered that the likelihood of industrial action had increased, and this was reflected in the changes, but the overall score was still amber.

Councillor Wright, as chair of scrutiny committee, referred to risk no B2, income generation, and said that the independent review of income generating opportunities should not duplicate the work of the scrutiny committee's income generation task and finish group. The chief finance officer said that the independent review would comprise reviewing ideas other local authorities in the UK had made and not radical and untried measures. The review would feed into the scrutiny committee's task and finish group.

The chair asked whether the implementation of an interactive self-service website would reduce the inherent risk of risk no A1, customer demand and was advised that it was one of the actions that helped achieve the amber score of the residual risk.

A member said that community infrastructure levy (CIL) payments were dependent on the delivery of the JCS and therefore if it was not delivered it would generate less CIL. The chief finance officer advised the committee of the arrangements in mitigation of this risk and said that the element controlled by the city council for small capital schemes would be allocated on a priority basis and regularly monitored to ensure that the funding was not overcommitted. The committee noted the council provided all its heads of service with commercial skills training.

A member asked for clarification on the reference to Bethel Street, under risk no B2, income generation. The chief accountant explained that this related to an arrangement, dating from 1968, where the council would need to compensate the police at full market value if it required them to vacate the police station. The risk was under review and might be removed from the risk register.

**RESOLVED** to endorse and recommend to cabinet that it approves the proposed amendments to the corporate risk register and risk management policy.

## **6. Internal audit 2015-16 internal audit plan**

The internal audit manager (LGSS) presented the report.

Councillor Boswell referred to the report, and thanked the internal audit manager for following up his query regarding the council's compliance with the Public Sector Network (PSN) code. Discussion ensued, in which members considered the council's current arrangements for digital data storage and whether this should be reviewed to include accredited cloud storage as well as on local servers. The internal audit manager said that this could be reviewed and considered as part of the council's business continuity process.

The chair referred to the audit plan and explained that it was normal practice for the internal audit team to conduct the audit of the financial systems in the last quarter. The internal audit manager said that the audit of housing rents was the exception as the work was intended to be completed before Christmas. The rest of the financial systems were audited in the last quarter because there would be more data from the year to sample.

In reply to a member's question, the internal audit manager explained that he had underestimated the allocation on the internal audit plan for contingencies including the completion of the internal audit plan for the previous year.

**RESOLVED** to note the:

- (1) work of internal audit between September and October 2015;
- (2) progress on the internal audit plan;
- (3) latest counter fraud developments.

## **7. Local government audit committee briefing**

The committee noted that the council had introduced a living wage for its employees and required its contractors, through its procurement procedures, to pay a living wage, and was ahead of the government's legislation. Members noted that the introduction of a national living wage would have a big impact on county and unitary authorities that were care providers.

**RESOLVED** to receive the Local Government Audit Committee briefing note for November 2015.

CHAIR



<b>Report to</b>	Audit committee	<b>Item</b>
	19 January 2016	
<b>Report of</b>	Chief finance officer	<b>5</b>
<b>Subject</b>	Certification of claims and returns annual report 2014-15	

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### **Purpose**

This report presents the Certification of claims and returns annual report 2014-15

### **Recommendation**

To review and note the attached report from the council's external auditor.

### **Corporate and service priorities**

The report helps to meet the corporate priority Value for money services and the service plan priority.

### **Financial implications**

There are no direct financial implications from this report.

**Ward/s:** All

**Cabinet member:** Councillor Stonard, resources and income generation

### **Contact officers**

Justine Hartley, chief finance officer

01604 212440

### **Background documents**

None

# Report

## Introduction

1. This annual certification report, appended to this report, summarises the findings from the 2014-15 certification work undertaken on claims and returns. The report refers to two returns:
  - (a) the housing benefits subsidy claim; and
  - (b) the capital pooling return.

## Key points to note

2. The committee is asked to note the following significant matters:
  - (a) The housing benefits subsidy claim has again been qualified. Details of the qualification are set out in section 1 of the report. Additional work was required by the auditors because of errors found but officers contributed to this work wherever possible to reduce the additional time required to be spent by the auditors and therefore kept the additional audit fees to a minimum.
  - (b) Fees for the housing benefits subsidy certification work are summarised in section 2 of the report. The additional fee required over the indicative fee is £1,449.
  - (c) The capital pooling return work is referred to in section 3 of the report. The total fee for this certification work was £2,275.

# Certification of claims and returns annual report 2014/15

Norwich City Council

7 January 2016

Ernst & Young LLP



Building a better  
working world

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Norwich City Council  
City Hall  
St. Peter's Street  
Norwich  
NR2 1NH

7 January 2016

Email: [RMurray@uk.ey.com](mailto:RMurray@uk.ey.com)

Dear Members

## **Certification of claims and returns annual report 2014/15 Norwich City Council**

We are pleased to report on our certification work. This report summarises the results of our work on Norwich City Council's 2014/15 claims.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2014/15 financial year. These arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

### **Statement of responsibilities**

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council. As appointed auditor we take no responsibility to any third party.

### **Summary**

Section 1 of this report outlines the results of our 2014/15 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £64.4 million and met the submission deadline. We issued a qualification letter with our submission, the qualification matters are included in section 2. Our certification work found errors which the Council corrected. The amendments had no effect on the grant due.

Fees for certification work are summarised in section 2. The fees for 2014/15 were published by the Audit Commission on 27 March 2014 and are now available on the Public Sector Audit Appointments Ltd (PSAA's) website ([www.psaa.co.uk](http://www.psaa.co.uk))

We welcome the opportunity to discuss the contents of this report with you at the 19 January Audit Committee.

Yours faithfully

**Rob Murray**  
Executive Director  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£64,407,786
Amended	Yes (No impact on subsidy due)
Qualification letter	Yes
Fee – 2014/15	£39,759
Fee – 2013/14	£47,707

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years claims. We found errors and carried out extended testing in several areas.

We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

- Non HRA Rent Rebates - Testing of the initial sample identified 1 case where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly income. Testing of the additional 40 cases identified no further errors. We reported a total extrapolated error value of £12,261.
- HRA Rent Rebates - Testing of the initial sample identified 1 case where the Authority understated benefit due to miscalculating the claimant's pension credit assessed income. Testing of the additional 40 cases identified two further errors where the Authority overstated benefit due to miscalculating the claimant's pension credit assessed income. We reported a total extrapolated error value of £35,728.
- Rent Allowances - Testing of the initial sample identified 1 case where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly income. Testing of the additional 40 cases identified four further errors where the Authority understated benefit due to miscalculating the claimant's weekly income. We reported a total extrapolated error value of £147.
- Rent Allowances - Testing of the initial sample identified 1 case where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly rent. Testing of the additional 40 cases identified two further errors where the Authority had overpaid benefit due to miscalculating the claimant's weekly rent. We reported a total extrapolated error value of £5,887.
- Rent Allowances – Testing of the initial sample identified 1 case where the Authority had miss-classified benefit payable as a regulated tenancy whereas it should have been expenditure under rent officer arrangements. Testing of the additional 40 cases identified two further errors. We reported a total extrapolated error value of £29,245.
- Non HRA Rent Rebate eligible overpayments classification – Testing identified five cases where the authority misclassified an overpayment as eligible, rather than local authority error. We reported a total extrapolated error value of £4,891.

- HRA Rent Rebate eligible overpayments classification – Testing identified one case where the authority misclassified an overpayment as eligible, rather than local authority error. We reported a total extrapolated error value of £3,776.
- Rent allowance eligible overpayments classification – Testing identified four cases where the authority misclassified an overpayment as eligible, rather than local authority error. We reported a total extrapolated error value of £102,235.

The claim was also amended for backdated subsidy. Due to the small population of this cell we agreed with the Council to examine the whole population. Testing identified normal subsidy of £3,480 was incorrectly reported as backdated subsidy. This had no impact on the amount due to the Council.

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## 2. 2014/15 certification fees

The Audit Commission determined a scale fee each year for the audit of claims and returns. For 2014/15, these scale fees were published by the Audit Commission on 27 March 2014 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2013/14	2014/15	2014/15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	47,707	38,310	39,759

This includes fees for annual reporting, planning, supervision and review.

The indicative fee for 2014/15 is based on 2012/13, therefore additional fee can only be raised if we undertake more testing than what was required in 2012/13. The errors identified in the 2014/15 audit resulted in two more areas of extended testing than the base year.

The actual fee is £1,449 higher than the indicative fee to reflect this additional testing.

Our proposed final fee has been discussed with officers. This is subject to review by PSAA who will determine a final scale fee which will not exceed the £39,759 above.

### 3. Other assurance work

During 2014/15 we also acted as reporting accountants in relation to the following scheme:

- Housing pooling return.

We have provided a separate report to the Council in relation to this return. This work has been undertaken outside the Audit Commission / PSAA regime, and the fees for this are not included in the figures included in this report. They are referred to here for completeness to ensure Members have a full understanding of the various returns that the Council prepares and on which we provide some form of assurance. We did not identify any significant issues as part of our work on this return that needs to be brought to the attention of Members.

## 4. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2015/16 is £35,780. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015/16.

Details of individual indicative fees are available at the following web address:  
<http://www.psaa.co.uk/audit-and-certification-fees/201516-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Chief Finance Officer before seeking any such variation.

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**Report to** Audit committee  
19 January 2016  
**Report of** Head of internal audit and risk management, LGSS  
**Subject** Internal audit 2015-16 – November to December update

**Item**

**6**

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### **Purpose**

To advise members of the work of internal audit between November and December 2015, and progress against the 2015-16 internal audit plan.

### **Recommendations**

To note:

- 1) the work of internal audit between November and December 2015;
- 2) the progress on the internal audit plan;
- 3) the latest counter fraud developments.

### **Corporate and service priorities**

The report helps to meet the corporate priority for value for money services.

### **Financial implications**

None.

### **Ward/s:** All wards

Cabinet member: Councillor Stonard – Resources and income generation

### **Contact officers**

Neil Hunter, head of internal audit and risk management, LGSS 01223 715317

Steve Dowson, internal audit and risk manager, LGSS 01603 212575

### **Background documents**

None

# Report

## Background

1. The internal audit plan for 2015-16 was endorsed by members in March 2015.
2. This report covers the following areas:
  - audit assurance work November to December 2015
  - other areas of non-assurance and financial consultancy work
  - the audit plan 2015-16, showing progress against planned audits
  - the latest counter fraud developments, including the national fraud initiative
3. For each audit assurance review a report is presented to the relevant head of service, including recommended actions to be taken. Audits are subsequently followed up to ensure that the agreed actions have been implemented.

## Audit assurance work November to December 2015

4. The following areas were reported on between November and December:
  - Cemeteries – moderate assurance. The operational aspects of the service are performed by the cemeteries team and the administrative side (including miscellaneous income collection and operation of the management system) is the responsibility of the business support team (BST). The majority of the processes (both operational and administrative) involve manual paper-based records, however the service has introduced a new computer based system (Epitaph) which will replace much of the paper-based records.

The audit provided assurance over the management plan to 2022; the memorial testing programme and scheduled re-tests; the three-year plan to increase fees in order to reduce the charge to the general fund; the well-managed cemetery records; and the manual procedures in place in the business support team.

However, the policy relating to the insurance of gravestones needed review; policies and procedures relating to contract funerals were out of date and some improvements were needed to documentation; VAT was incorrectly treated for some income streams; and fees charged for grave maintenance had not been increased as intended.

Thirteen recommendations were made which are due to be implemented by April 2016.

- Payroll – substantial assurance. The council outsourced its payroll service to Arvato which is responsible for the payroll system; making all payroll changes as required; and issuing the monthly pay runs. The contract also provides for a web-based self-service end for employees (MyView) for submission and authorisation of travel and subsistence claims and accessing payslips and P60s. Overtime claims are not submitted via Myview - these come in via the 'forms for payroll' mailbox and are then transferred to payroll via a secure folder.

The audit reviewed the checks and controls which occur at the council. There was assurance across the following areas: procedures and checks for the payroll run are sufficient to prevent mistakes or fraud; exception reports are produced and reviewed in a timely manner; reconciliations from HR records to the payroll system are completed regularly and correctly.

However, some minor weaknesses were found: two members of staff who had moved or left had not had their access to folders containing payroll information removed; guidance for managers when someone leaves the council could be improved; there had been regular problems with the payroll data file received from Arvato; and authorisation of the payroll journal in finance required improvement.

Six recommendations were made, four of which are complete. The other two are due to be implemented by January 2016.

- Bank reconciliations – substantial assurance. Following the re-tender for banking services during 2014-15, most of the new Barclays accounts were operational from December 2014. A separate new account with Co-operative Bank was also opened, for receipt of income from customers using payment cards at various participating shops and post offices, as this is not currently available from Barclays.

There was assurance over the reconciliation of bank accounts on a regular basis; older unpresented cheques are cleared on a regular basis; and bank account mandates for authorised signatories are updated when staff changes occur.

However, some reconciliations had not been reviewed; interest that was credited to a capital investment account in error instead of the general account was not noticed; and written procedures could be improved to provide resilience in the event of staff absence.

Three recommendations were made, two of which are complete. The third is due to be implemented by March 2016.

- Garages/parking bays – moderate assurance. The council has in excess of 4,000 garages and a small number of parking bays for letting, with gross income in the region of £1m.

There was assurance over the well-managed allocation process; verification and recording of documentation; and the management of arrears which are in line with the target.

However, one garage and one parking bay which were shown as tenanted had actually been vacant for a number of years and so should have been available to let; there were discrepancies between the information on Academy and the records maintained by the allocations team; and six garages used by the arrears team were no longer required and as a result of the audit were made available to let; and the charging categories could be simplified.

Seven recommendations were made, five of which are either complete or due to be implemented by February 2016. Two recommendations were not agreed – to formally accept the use of garages for non-vehicular use; and the splitting of the allocations spreadsheet to facilitate the monitoring of assets and reduce the risk of errors.

## **Follow ups**

5. The following audits were followed up:

- Workforce IT system – the two recommendations are complete
- Planning income – nine of the ten recommendations are complete. The recommendation to reconcile income from the planning portal to the general ledger will be reviewed when the improved portal payments software is in place.

6. Other assurance work which is in progress is shown in **appendix 1**.

## Non-assurance work

7. The main areas of non-assurance work in the period were:

- Updating the risk management strategy for CLT and the risk management policy and corporate risk register for CLT and November's audit committee.
- Investigating matches from the NFI 2014-15 data matching exercise, uploading the datasets for the 2015-16 council tax single person discount exercise and circulating the results of the matches to managers in LGSS revenues.

## Progress against the audit plan

8. Details of the annual audit plan for 2015-16 are shown at **appendix 1**, showing estimated and actual days for each area of audit assurance work.

9. To the end of December 2015, 318 days have been delivered against the audit plan. This includes work on audits started at the end of 2014-15 but not completed by the end of March.

10. It is good practice to keep audit plans under review to take account of changed circumstances, and several factors affect the delivery of the audit plan. These include the need to re-programme some audits into next year; an under-estimate of the contingency needed for completion of 2014-15 audits; and the delayed restructure of LGSS internal audit (now complete pending certain appointments).

11. In view of these changed circumstances, which have been discussed at the business management group, the following amendments to the plan are proposed:

**Table 1: Proposed changes**

Area	Audit	Add/Delete	Comments
Financial systems	Cash receipting	Delete	Part covered by audit of ICON cash receipting system
	Fees and charges	Add	Replaces cash receipting audit
Business relationship management	Finance & HR IT system implementation	Delete	Re-programme to 2016-17 due to delayed implementation
	UNIFORM IT system	Delete	Re-programme to 2016-17 due to major upgrade in Qtr 4 of 2015-16
Business relationship management	Insurance	Delete	Low risk and part covered by NFI
	Register of electors	Delete	Low risk and part covered by NFI
Regeneration &	CIL expenditure	Delete	BMG agreed to re-programme to



Area	Audit	Add/Delete	Comments
development			2016-17
Strategy, people, neighbourhoods	HRA business plan and HIP	Delete	BMG agreed to re-programme to 2016-17
	Private sector leasing	Delete	Re-programme to 2016-17

12. It is also proposed to include under 'Corporate governance' the time spent by the audit manager on servicing the audit committee, drafting the internal audit plan and preparing performance figures for client monitoring purposes under the SLA with Norwich. This time is currently categorised as non-productive time and is therefore not reflected in the plan. The proposed change will bring the audit plan into line with those at Cambridgeshire and Northamptonshire.

13. Subject to the agreement of this committee to the proposed changes, a revised forecast of the audit plan will be agreed with the chief finance officer and reported to your next meeting.

## Counter fraud developments

### National fraud initiative

14. For the 2014-15 exercise 3,079 matches for possible investigation have been released so far. To date approximately 64% have been closed with no fraud detected; the outstanding matches are being reviewed by staff from the LGSS counter fraud team in conjunction with staff from LGSS revenues and benefits and the council's housing service.

15. For 2015-16 the council was required by the Cabinet Office to supply council tax and electoral register data for the annual data matching exercise for council tax single person discount (SPD) eligibility. The datasets were uploaded to the flexible matching service, which provides results almost immediately. These have been passed to managers in LGSS revenues to consider as part of a wider exercise to review all SPDs with the help of Equifax's data matching facilities.

### ***TEICCAF Protecting the English Public Purse Fraud Briefing 2015***

16. The council's voluntary submission to The European Institute for Combatting Corruption and Fraud (TEICCAF) fraud and corruption survey 2014-15 was reported to audit committee in June 2015. Following this TEICCAF has produced a tailored fraud briefing comparing the council's fraud detection performance against other district councils across the east of England that took part. The briefing is attached at **appendix 2** for members' information.



LGSS Internal Audit - Internal Audit Plan for Norwich City Council 2015-16			
	2015-16		
	Estimated	Actual to	
	Days	Wk 40	Comments / Latest position
<b>Financial systems</b>			
Purchase to pay	20		
Accounts receivable	20		
Payroll	10	0.1	
Housing rents/arrears	15	5.4	In progress
Housing benefits	20		
Council tax	15		
NNDR	15		
Bank reconciliations	5	13.8	Complete
Cash receipting	15		
<b>Sub-total</b>	<b>135</b>	<b>19.3</b>	
<b>Corporate</b>			
Strategic risk management	15	9.7	Administration and reporting of corporate risk register
Corporate governance	25	10.5	Co-ordination & preparation of AGS; corporate governance group; policy updates
<b>Sub-total</b>	<b>40</b>	<b>20.2</b>	
<b>Business relationship management</b>			
Procurement & contract management arrangements	25	4.4	Allowance for possible input to tendering, monitoring, procedural compliance. Involvement in specific contracts. Plus presence on project teams
Insurance	10		
Finance & HR IT system implementation	30		
Information governance	15	16.6	In progress
Register of electors	10		
ICT audits:	10	5.0	Incl. embedded assurance re Corp Info Assurance Group; input into IT audits
ICON cash receipting	15		
UNIFORM	15		
Website refresh and e-forms	15	5.9	In progress
<b>Sub-total</b>	<b>145</b>	<b>31.9</b>	
<b>Regeneration &amp; development</b>			
CIL expenditure	15		
<b>Sub-total</b>	<b>15</b>	<b>0.0</b>	
<b>Strategy, people &amp; neighbourhoods</b>			
HRA business plan & HIP	15		
Private sector leasing	15		
Right to buy	15	26.7	In progress
Safeguarding duties	15	3.4	In progress
Garages	5	10.2	Complete
Allotments	5	7.2	Complete
<b>Sub-total</b>	<b>70</b>	<b>47.5</b>	
<b>Customers, communications &amp; culture</b>			
Go4Less	5	5.5	Complete
<b>Sub-total</b>	<b>5</b>	<b>5.5</b>	
<b>Fraud &amp; corruption</b>			
Anti-fraud and NFI work	80	45.6	Fraud risks; key contact duties for NFI matches and 2015-16 upload (SPD matches)
Special investigations	15	1.6	Contingency
<b>Sub-total</b>	<b>95</b>	<b>47.2</b>	
<b>Contingencies</b>			
To complete 2014-15 plan:	40		
CIL income		1.0	Complete
Parking income		14.1	Complete
Home improvements		10.4	Complete
Payroll		1.8	Complete
Housings rents/arrears		11.6	Complete
Cemeteries		17.2	Complete
Licensing		5.6	Complete
Shared services		1.0	Complete
NNDR		9.9	Complete
Council tax		9.7	Complete
Housing benefits		19.0	Complete
Leasehold services		10.8	Slipped from 14-15 - in progress
Follow-ups	20	20.1	Follow ups required by Code of Practice
Advice, guidance, etc	25	14.5	Contingency for advice, guidance & unplanned work requests
<b>Sub-total</b>	<b>85</b>	<b>146.7</b>	
<b>Total planned time</b>	<b>590</b>	<b>318.3</b>	
<b>Indicative resources</b>	<b>Days</b>		
Head of audit / Audit manager	65		
Principal auditor	180		
Senior auditor	200		
Senior auditor / graduate trainee	100		
Computer auditor	45		
	<b>590</b>		



# Protecting the English Public Purse Fraud Briefing 2015

## Norwich City Council

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# Purpose of Fraud Briefing

1. Provide an information source to support councillors in considering their council's fraud detection activities
2. Extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities
3. Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed
4. Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud

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# About TEICCAF

## *The European Institute for Combatting Corruption And Fraud*

Not for profit charity seeking to provide counter fraud and corruption strategic vision and thought leadership for public sector and charity organisations

Staffed by the former Audit Commission Counter Fraud Team

Continuation of expertise on the fraud risks facing councils

Continuation of the award winning '*Protecting the Public Purse*' reports

Working collaboratively with public sector bodies, charities and private companies across the UK, Europe and around the World

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# Understanding the bar charts

All data are drawn from council submissions for the TEICCAF annual fraud and corruption survey for 2014/15

Your council is compared with the other district councils across the East of England taking part in the voluntary survey

*National district council submission rate: 59.7%*

*English councils surveyed submission rate: 59.5%*

*(County councils, district councils, metropolitan districts & unitary authorities and London boroughs)*

**Your council for detected cases is shown in Yellow**

**Your council for detected value is shown in Red**

All averages are 'mean' averages

In some cases, council report they have detected fraud and do not report the number of cases and/or the value - for the purposes of this fraud briefing these 'Not Recorded' records are shown as Nil

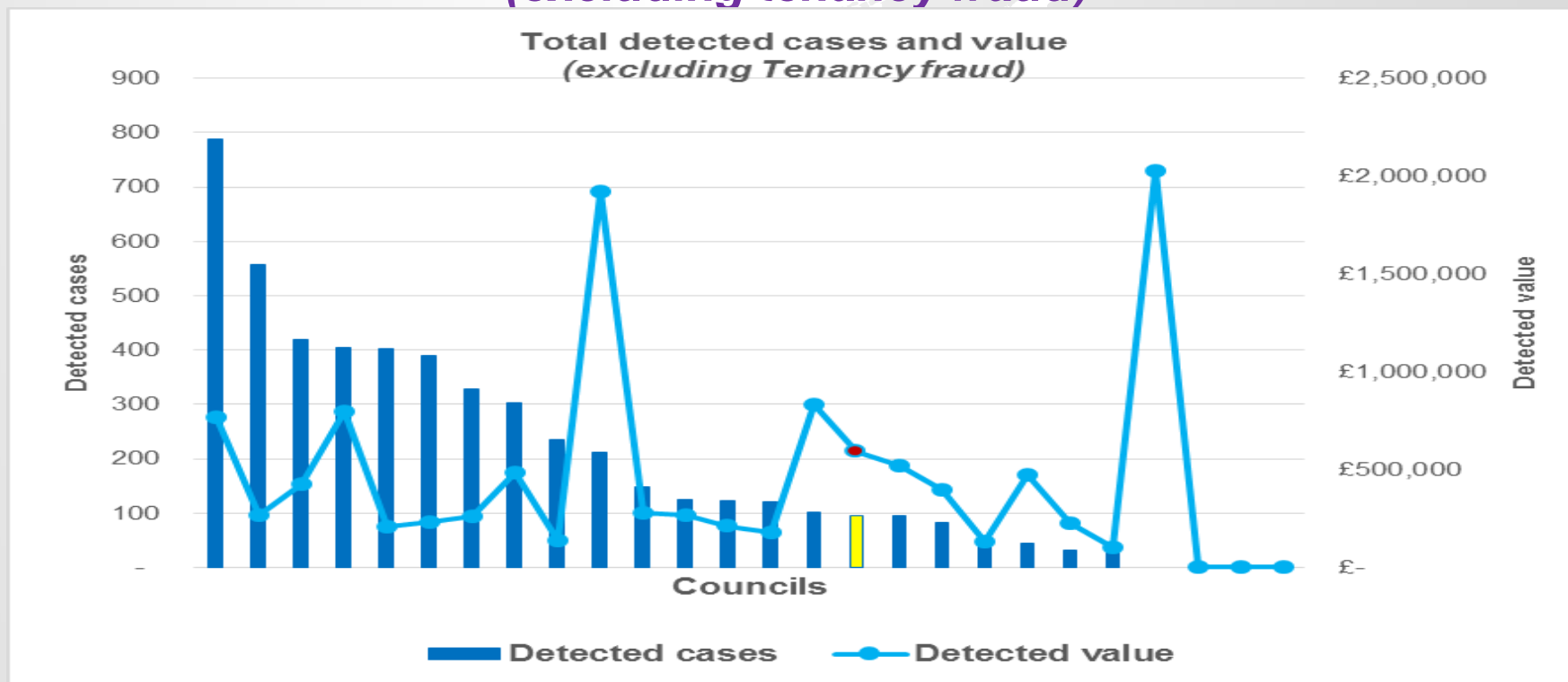
*NB it is always best practice to ensure counter fraud activity is accurately and comprehensively recorded, particularly for assessing fraud risk*

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# Total detected cases and value

(excluding tenancy fraud)



**Your council - Total number of detected cases: 96. Total detected value: £594,237.**

**Comparator council average – Detected cases: 196. Detected value: £451,923.**

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# Housing benefit (HB) and council tax benefit (CTB)

The investigation of benefit fraud is transferring from councils to the Department for Work and Pensions Single Fraud Investigation Service (SFIS)

Some councils have already transferred their benefit fraud investigators to SFIS, the remaining councils should have done so by March 2016

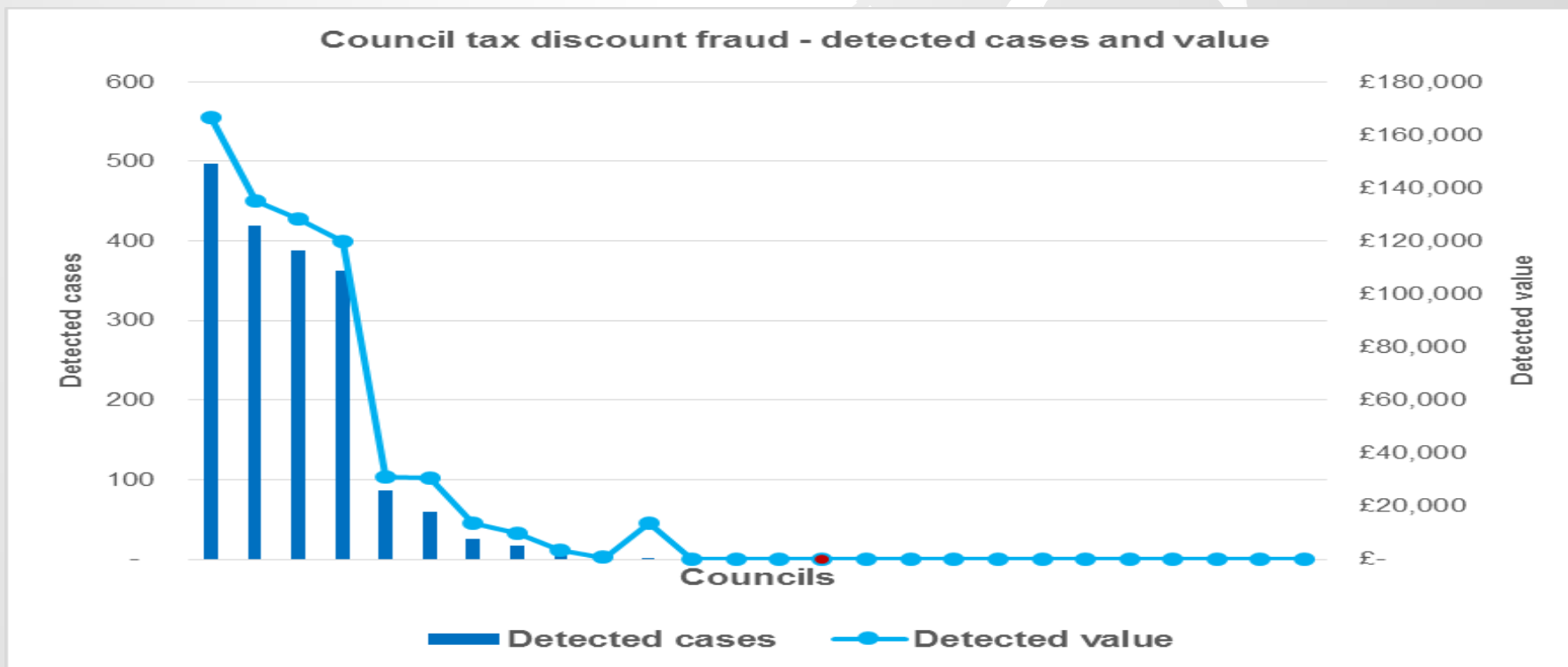
This makes the comparison of HB/CTB of little value, as some council did not investigate HB/CTB in 2014/15, or others only a part of the year

However, you may wish to ask:

- Does my council have enough counter fraud resource to tackle non-benefit fraud post SFIS?
- Does my council's counter fraud resource have the skill sets to tackle the wide and varied range of non-benefit frauds?
- Is there a partnership working arrangement available that helps provide a counter fraud resource and value for money?

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# Council tax discount fraud



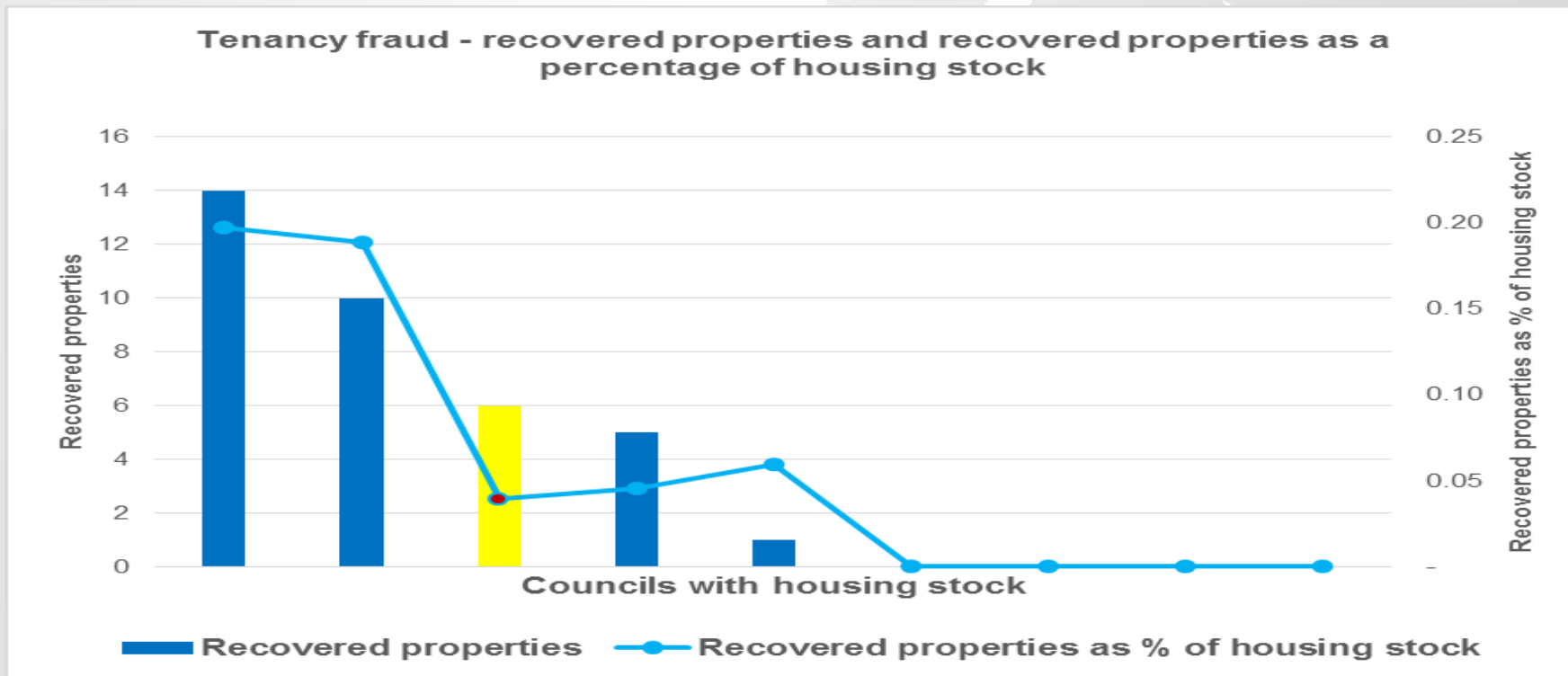
**Your council - Total number of detected cases: nil. Total detected value: nil.**

**Comparator council average – Detected cases: 72. Detected value: £25,061.**

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# Tenancy fraud

(only councils with housing stock)

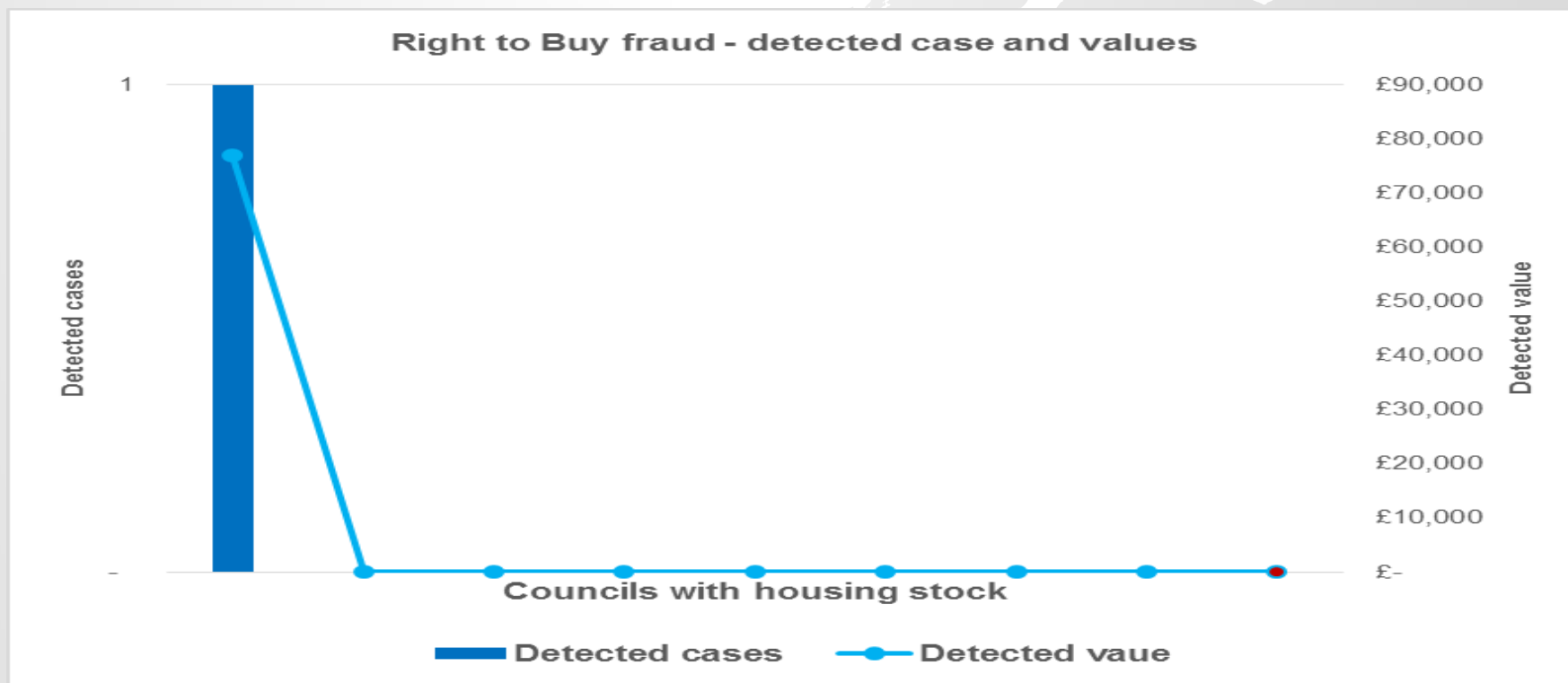


**Your council - Total number of recovered properties: 6**

**Comparator council average— Recovered properties: 4**

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# Right to Buy fraud



**Your council - Total number of detected cases: nil.**

**Comparator council average – Detected cases: 1. Detected value: £8,556.**

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# Other frauds

## Procurement fraud

Your council - Total number of detected cases: nil.

Comparator council average – Detected cases: nil. Detected value: nil.

## No recourse to public funds fraud

Your council - Total number of detected cases: nil.

Comparator council average – Detected cases: 1. Detected value: £988.

## Business rates

Your council - Total number of detected cases: nil.

Comparator council average – Detected cases: 1. Detected value: £2,329.

## Internal fraud

Your council - Total number of detected cases: nil.

Comparator council average – Detected cases: 1. Detected value: £9,095

# Further information and support

The '*Protecting the English Public Purse 2015*' (PEPP) report and the '*Protecting the London Public Purse 2015*' (PLPP) report are available at [www.teiccaf.com](http://www.teiccaf.com)

These reports also contain a counter fraud checklist for councils to use – questions you may wish to ask:

- Are local priorities reflected in our approach to countering fraud?
- Have we considered counter-fraud partnership working?
- Are we satisfied that we will have access to comparative information and data to inform our counter-fraud decision making in the future?

If you have any questions concerning:

- this fraud briefing;
- TEICCAF; or
- how TEICCAF can support you in counter fraud, counter corruption and anti-money laundering?

Please contact Duncan Warmington, Secretary to the Board at [duncanw@teiccaf.com](mailto:duncanw@teiccaf.com)

TEICCAF, and our sponsor, 'INTEC for business', hope you found this fraud briefing useful and encourage your council to participate in the 2015/16 TEICCAF annual fraud and corruption survey

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# Local government audit committee briefing

## Contents at a glance

### Government and economic news

### Accounting, auditing and governance

### Regulation news

### Key questions for the audit committee

### Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake.

The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international

business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



## Government and economic news

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### EY Item Club Autumn Forecast

The latest EY Item Club forecast (Autumn 2015) predicts tougher times for the UK economy as what it describes as the 'consumer sugar rush' begins to fade.

GDP is forecast to grow by 2.5% this year (compared to 2.9% in 2014) and slow further to 2.4% in 2016 and 2.3% the year after. Consumer Price Inflation is expected to remain below target until 2018. Prospects for exports remain poor, and domestic consumption is likely to be affected by rising inflation and tighter fiscal policy from early 2016. Progress is seen to depend upon productivity gains rather than coming from the commodity price falls that are supporting demand this year. Businesses will need to work hard on overseas markets as opposed to relying on consumer-led domestic markets.

The forecast highlights that the last decade has seen a strong increase in the supply of labour which has depressed real wages and, arguably, productivity, but that we are now seeing a more normal recovery. This is characterised by an increase in the demand for labour, which boosts real wages and productivity. Wage inflation is highlighted as being strong. This is expected to be boosted further in April 2016 by the National Living Wage, the effects of which could be very significant for some sectors and regions.

Provided that increased productivity matches wage inflation, the expectation is that the Monetary Policy Committee will keep base rates on hold until next autumn.

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

### Housing Associations Right to Buy

The Chartered Institute of Public Financial Accountants (CIPFA) has produced a briefing following the Government's announcement in October that it intends to extend its Right to Buy scheme to Housing Associations. The briefing seeks to explore the potential impact of these plans on Local Authorities.

Local authority housing is intended to be self-financing, based on 30 year business plans established in 2012 with the HRA self-financing regime, with Council housing for each council financed from its own rental income. This principle was reflected in the 30 year business plans, but CIPFA suggests that these business plans do not reflect recent changes contained within the budget. These changes include amendments to the rent policies as well as the proposed sale of high value local authority housing stock in order to compensate housing associations for the shortfall in income caused by the new Right to Buy scheme.

According to CIPFA, research has shown properties sold under the existing Right to Buy scheme have in many instances returned to the rental market at a higher level of rent than council levels. They have cited the example of Barking and Dagenham where it is said that 41% of properties purchased under the Right to Buy scheme are now let privately.

CIPFA warns 'Any legislation that leads to a negative impact on the housing business plan models of local authorities could seriously undermine the very basis of self-financing which promised autonomy for local authorities in the delivery of housing in their areas.'



## Government and economic news

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However, Communities Secretary Greg Clark said:

“We’re determined to ensure that home ownership is seen as a reasonable aspiration for working people.

Right to Buy is a key part of this, offering a helping hand to millions of people who would have no hope of buying their own home without it.

Today’s historic agreement with housing associations and the National Housing Federation will extend that offer even more widely, whilst at the same time delivering thousands of new affordable homes across the country.”

The Government agreement with housing associations and the National Housing Federation will see housing association tenants able to buy their homes from 2016.

CIPFA’s briefing document can be downloaded from <http://www.cipfa.org/cipfa-thinks/briefings>, and further information from the government is available at <https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants>

### Consultation: improving efficiency on Council Tax Collection

Council tax collection rates have been relatively high in recent years: 97% across England in both 2014/15 and 2013/14. However, the Government is looking at ways to enable local authorities to further improve collection rates.

To this end, the Government has issued a consultation on its proposals to improve the collection and enforcement process for council tax. The government’s stated intention is to help local authorities to keep council tax rates low, and so the proposals are aimed at ensuring that everyone contributes fairly.

The consultation follows a trial by Manchester City Council, Salford City Council, HMRC and the Cabinet office under the ‘Better Business Compliance Cabinet programme’, and reflects consideration of the findings from this trial.

An example of this is the Government’s proposal to extend the data-sharing gateway which currently exists between HMRC and local authorities. This would enable HMRC to share employment information with councils where council tax debtors have not voluntarily shared the information within 14 days of receiving a liability order. Manchester estimates, based on its pilot with HMRC, that this would recover £2.5mn of debt in its area alone.

The consultation also asks for other suggestions to improve council tax collection.

Responses are requested by 18 November 2015.

For more information on the consultation and details on how to respond, please see [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/466386/150930\\_Improving\\_Efficiency\\_of\\_Council\\_Tax\\_collection\\_Consultation\\_Doc.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466386/150930_Improving_Efficiency_of_Council_Tax_collection_Consultation_Doc.pdf)



## Government and economic news

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### Local Plans for New Homes

In October, the Government announced that councils will be required to produce local plans for new homes by 2017. Where councils fail to do so, the Government will consult with local people to ensure that plans are produced for them.

In 2012, the National Planning Policy Framework was introduced to provide guidance for local planning authorities and decision-takers, both in drawing up plans and making decisions about planning applications. This framework reinforced the role of local plans. It required the plans to include an annual trajectory over a period of around 15 years of how many homes they plan to build in their area, and it required local authorities to review this plan approximately every 5 years. Councils were also encouraged to give local people more say on where new developments would be located and what they would look like.

The Government have said that the response to this has been mixed:

- ▶ 82% of councils have published local plans which state how many homes they intend to build over a given period
- ▶ 65% have fully adopted these plans
- ▶ Nearly 20% of councils do not have an up to date plan

If councils fail to produce and bring into force an up to date plan for new homes by 2017, the Government intends to work with local people to ensure one is created.

Read the government press release at <https://www.gov.uk/government/news/prime-minister-councils-must-deliver-local-plans-for-new-homes-by-2017>





# Accounting, auditing and governance

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## Proposals for further emergency services collaboration announced

The Government has launched a consultation which is looking into how the three core emergency services of Police, Fire and Rescue and the Ambulance service could potentially work together in a more efficient and effective manner. Key features of the consultation include:

- ▶ Enabling Police and Crime Commissioners (PCCs) to take on the duties and responsibilities of Fire and Rescue Authorities where a local case was made for this to happen
- ▶ Where a case is made by a local PCC to take on such a role, there would also be the possibility for them to take on the role of a single employer and in doing so enable the sharing of back office support functions
- ▶ Improving joint working between PCCs and local NHS Ambulance Foundation Trusts by encouraging them to allow PCCs to sit on their Council of Governors

The Government also intends to introduce a new statutory duty for the three emergency services to collaborate with one another; and sees this as not being a burden, but is about seeking efficiencies.

However, a key legal distinction would remain under the new proposals, in that a member of a police force will not be permitted under law to become a firefighter, and firefighters will not be given the power of arrest. In order to maintain transparency for local taxpayers, funding from central government will remain separate for police and fire organisations, as will council tax precepts.

<https://www.gov.uk/government/news/proposals-for-further-emergency-services-collaboration-announced>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/459986/Consultation\\_-\\_Enabling\\_closer\\_working\\_between\\_the\\_Emergency\\_Services\\_\\_w\\_\\_2\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459986/Consultation_-_Enabling_closer_working_between_the_Emergency_Services__w__2_.pdf)

## Finance in the Cloud?

Cloud computing allows users to rent access to a variety of virtual computing options, conveniently, ranging from network-accessible data storage and software development environments to fully featured applications. As such, the data and applications are not required to be stored on local servers or 'on-premise'; rather, they are hosted and managed by third-party cloud service providers (CSPs).

Enterprises essentially outsource varying levels of IT functionality to CSPs, and users only need an internet connection to access the data and applications via virtual servers. By moving into the cloud, organisations have the potential to reduce greatly, or even eliminate, the total cost of ownership (TCO) of the IT function, thereby forever altering their business model.

The benefits of cloud adoption are highly touted. However, over a decade ago, on-premise enterprise resource planning (ERP) solutions made similar promises. Although the trigger for rushed ERP implementations in the 1990s was the much-fretted Year 2000 (or Y2K) calamity, Y2K concerns turned out to be largely unfounded, and many finance executives would now argue that they have yet to reap genuine, tangible benefits from investing in costly ERP systems.



## Accounting, auditing and governance

Although a company's financial management system is critical to success, EY is finding that many organisations have systems averaging from 10 to 15 years old, with upgrade cycles ranging from 5 to 10 years. Despite aging legacy systems, many finance decision-makers are hazy on how cloud solutions are really any different from the ERP solutions hyped in the previous decade.

Organisations that truly understand cloud technology, as well as the associated challenges and risks, are better placed to manage the impact of cloud computing on the finance function. Moreover, they must engage an agile innovation strategy focused on deploying the right operating model in order to realize fully the benefits of cloud computing.

In EY's experience, organisations that fail to make a robust cloud risk assessment often need to make subsequent, costly changes to the cloud model, thereby negating any savings gained from cloud migration. EY recommends that organisations develop a clear, attainable cloud strategy, including an appropriate operating model accompanied with a cloud risk management approach to mitigate risks and avoid a premature move to the cloud.

EY has a proven framework for cloud models, along with risk assessments and broad-based diagnostics to evaluate and optimise a cloud strategy that enables minimal disruption whilst accelerating an organisation's evolution. For more information on this, please talk to a member of your engagement team or read the EY publication at [http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud\\_Final.pdf](http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf)

### Value for Money Conclusion guidance

The NAO have recently released a consultation document (<http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>) a consultation document for auditors on their review of arrangements to secure economy, efficiency and effectiveness in their use of resources. This is also referred to the as three E's or the Value for Money (VfM) conclusion. The guidance covers the VfM work for 2015/16.

Based on the responses received to a similar consultation in 2014 the new draft guidance seeks to:

- ▶ Take forward existing guidance and reflect changing circumstance for public sector organisations such as finding savings and maintain financial stability over the medium and long term
- ▶ Update the definition of 'proper arrangements'
- ▶ Strengthen guidance on the identification and work around significant risks whilst maintaining a risk based approach
- ▶ Update and clarify the range of reporting opinions available to auditors and expectations at key stages of the audit
- ▶ Maintain sector specific guidance that will sit outside of the statutory guidance but can provide up-to-date information on sector specific risks

The consultation closed on 30 September and the NAO will communicate a summary of the responses once they have reviewed them. Further information can be found at <https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/>.



## Regulation news

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### Consultation on 2016/17 proposed fee scales

Public Sector Audit Appointments (PSAA) is currently consulting on both the work programme and scale of fees for 2016/17 audits. The consultation describes the work that auditors will undertake at principal audited bodies for 2016/17 and their associated scales of fees.

There are no planned changes to the overall work programme for 2016/17 and their proposal is to set scale audit fees at the same level as the scale fees for 2015/16 which already reflect a reduction of 25% in addition to the reduction of up to 40% made from 2012/13.

A change in accounting requirements in 2016/17 relating to highways infrastructure assets will require additional audit work at some authorities. As the amount will differ between authorities, the fee variation process will apply in 2016/17 for this additional work.

The consultation closes on Friday 15th January 2016, and the final work programme will be published following this in March 2016.

For details of the consultation, please refer to the PSAA website at <http://www.psaa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/>

### NAO Case Study: Managing reductions in local authority government funding

The National Audit Office (NAO) has made available more than 30 case studies which give examples of how organisations have used their recommendations or analysis to support the achievement of financial savings.

One of these case studies follows the production of its 2014 report 'Financial Sustainability of Local Services'

The NAO case study states that following their report, the Department for Communities and Local Government (DCLG) has acknowledged that its processes for estimating local authority spending requirements and assessment the potential impacts of spending reductions need to be improved.

They also note use of their report in the sector, citing the following examples:

- ▶ Leeds City Council and Birmingham City Council have drawn on the work in their debates with central government over devolution
- ▶ Wolverhampton City Council and Oldham Council have used the work to inform discussion and decision-making in cabinet meetings and audit and scrutiny meetings
- ▶ The Local Government Association and treasurers' societies have used the analysis from the report to inform their thinking

Find out more about the impact made by NAO reports in their interactive pdf at <https://www.nao.org.uk/wp-content/uploads/2015/10/Impacts-case-studies-2014.pdf>





## Find out more

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### **EY Item Club Autumn Forecast**

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

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### **Finance in the Cloud?**

To find out more about Cloud Computing and how EY can support you, please ask a member of your engagement team or read the EY publication at [http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud\\_Final.pdf](http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf)

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## Notes

## Notes

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## Notes

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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