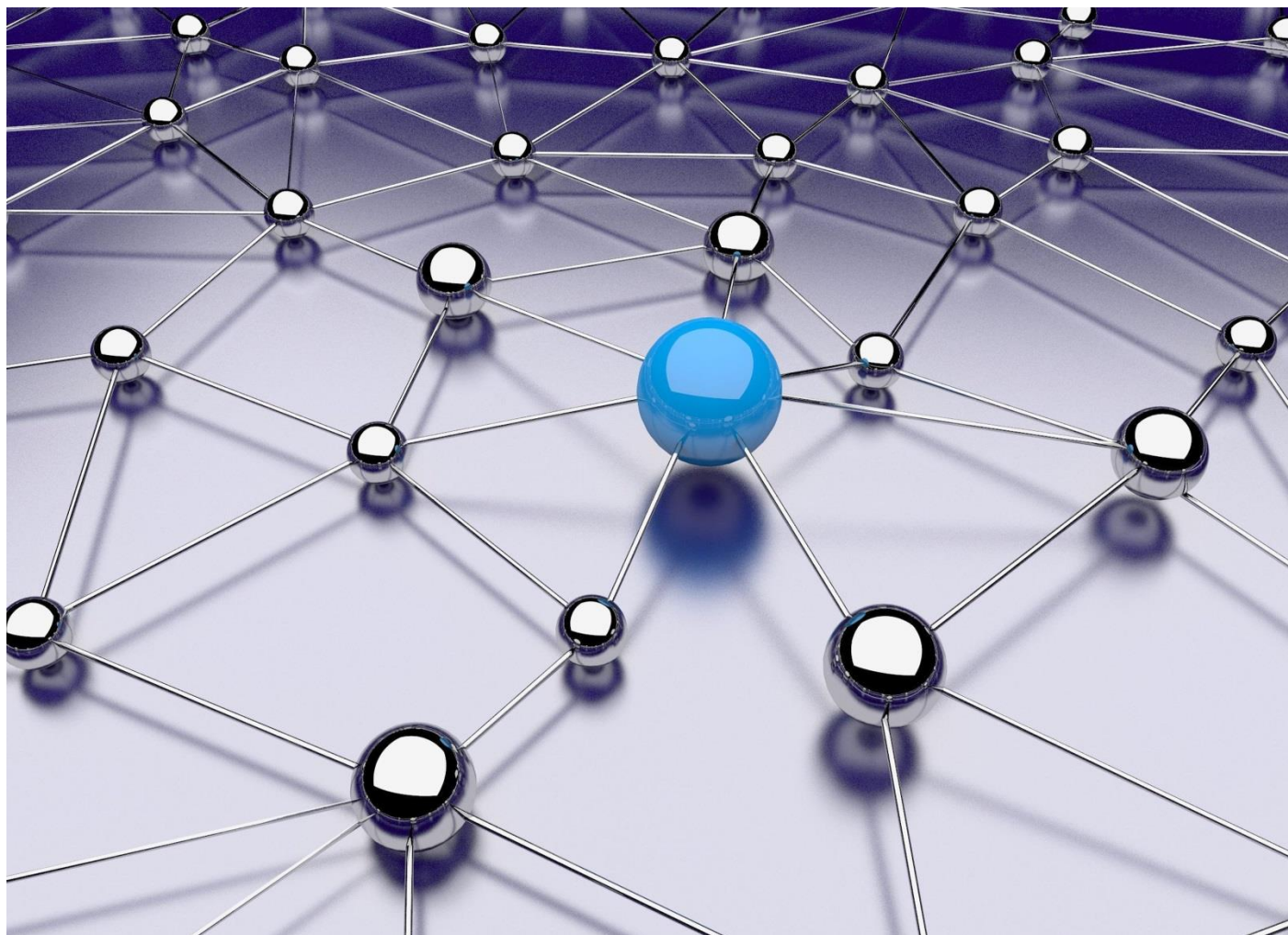


Sunderland City Council

Audit Progress Report

February 2016




Sunderland
City Council

Contents

01 Introduction.....	2
02 Summary of audit progress	3
03 Updated Value for Money conclusion guidance	5
04 National publications and other updates.....	7
05 Contact details.....	8

Our reports are prepared in the context of the Public Sector Audit Appointment Limited's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Sunderland City Council, its Members, Directors or officers are prepared for the sole use of the audited body and we take no responsibility to any Member, Director or officer in their individual capacity or to any third party.

01 Introduction

The purpose of this report is to update the Audit and Governance Committee of Sunderland City Council (the Council) on progress in delivering our responsibilities as your external auditors.

We have also highlighted key emerging national issues and developments which may be of interest to Committee Members.

If you require any additional information, please contact us using the details at the end of this update.

Finally, please note our website address (www.mazars.co.uk) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

02 Summary of audit progress

Certification of claims and returns

We reported in our last Audit Progress Report that work on the 2014/15 Housing Benefits Subsidy Claim was complete, and we certified the claim before the Department of Work and Pensions deadline of 30 November 2015.

It has been clarified that our regulator still requires us to produce an annual grants report on this work. Rather than produce a separate report, we have incorporated our annual grants report into this report in the following paragraphs.

Results of certification work 2014/15

As the Council's appointed auditor, we acted as an agent of the Audit Commission. The Local Audit and Accountability Act 2014 transferred the Audit Commission's responsibilities to make certification arrangements for specified claims and returns to Public Sector Audit Appointments (PSAA). Each year auditors must report the results of our certification work to those charged with governance. For 2014/15 the only claim or return within this regime was the Housing benefit subsidy return.

In 2014/15 the prescribed tests for our Housing benefits work were set out in the HBCOUNT module and BEN01 Certification Instructions issued by the Audit Commission. For the Housing benefit subsidy return, on completion of the specified work we issue a certificate. The certificate states whether the claim has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter. Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

Sunderland City Council's 2014/15 Housing benefit subsidy return was submitted with minor amendment and a qualification letter highlighting two relatively minor issues identified from detailed testing.

Claim or return	Value of claim	Amended	Qualified
Housing benefit subsidy	£125,352,788	Reduction of £63	Yes, two relatively minor issues raised

As was also the case in 2013/14, we did not make any recommendations or highlight any significant issues for improvement.

Fees

Prior to its abolition, the Audit Commission set an indicative fee for our work on the Council's Housing benefit subsidy return. We confirm that the final fee payable for this work as outlined in the table below is in line with the indicative fee. The following fee was charged for the 2014/15 work.

Claim or return	2014/15 indicative fee	2014/15 final fee	2013/14 final fee
Housing benefit subsidy	£10,300	£10,300	£12,412

2015/16 planning

Our audit planning for the 2015/16 audit year is now well underway.

Our detailed Audit Strategy Memorandum will set out our planned work and assessments in more detail and we will present the plan to the Audit and Governance Committee meeting on 18 March 2016.

03 Updated Value for Money conclusion guidance

Summary

The National Audit Office has published updated guidance in respect of the Value for Money (VfM) conclusion. The guidance sets out the revised criterion applying to 2015/16 audits and consists of an overarching document, along with a local authority-specific paper which provides details of supporting background information on key issues facing local authorities.

Overarching guidance: <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Auditor-Guidance-Note-03-VfM-Arrangements-Work-09-11-15.pdf>

Local-authority specific background: <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Supporting-information-AGN-03-Local-authorities-Nov-2015.pdf>

Revised criteria

In previous years, auditors were required to reach their statutory conclusion on arrangements to secure VfM in respect of two main criteria; these have now been replaced by one overall criterion, supported by three sub-criteria, as set out in the two tables below

Previous year criteria

Previous year criteria	Focus of each criterion
The Council has proper arrangements in place for securing financial resilience.	The Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The Council has proper arrangements for challenging how it secures economy, efficiency, and effectiveness.	The Council is prioritising resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

New criterion from 2015/16

New overall criterion	Sub-criteria
In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.	<ul style="list-style-type: none">• Informed decision-making.• Sustainable resource deployment.• Working with partners and other third parties.

Sub-criteria – further detail

In both local government and the NHS, organisations are already required to have arrangements in place to ensure proper governance, resource and risk management, and internal controls, and to report on the design and operation of those arrangements through Annual Governance Statements.

The recently issued guidance draws on relevant requirements applicable to each sector and aligns the scope of proper arrangements with those that responsible parties are already required to have in place and to report on through documents such as annual governance statements and annual reports (where applicable).

Drawing on the relevant requirements applicable to local bodies, proper arrangements cover the following:

Sub-criteria	Guidance
Informed decision-making	<ul style="list-style-type: none"> • Acting in the public interest, through demonstrating and applying the principles and values of sound governance. • Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management. • Reliable and timely financial reporting that supports the delivery of strategic priorities. • Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none"> • Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. • Managing and utilising assets effectively to support the delivery of strategic priorities. • Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> • Working with third parties effectively to deliver strategic priorities. • Commissioning services effectively to support the delivery of strategic priorities. • Procuring supplies and services effectively to support the delivery of strategic priorities.

Next steps

As in previous years, the VfM conclusion requires auditors to reach a conclusion on whether arrangements are in place for securing VfM as opposed to an absolute determination on whether VfM is being achieved. The guidance also highlights that auditors should note that while all bodies will work with partners and other third parties (including contractors), the significance of these arrangements, and consequently the extent to which they will impact on the auditor’s risk assessment, will vary.

We will carry out an initial risk assessment in respect of the VfM conclusion for 2015/16, drawing on the newly issued guidance. This will inform our assessment of any significant risks and the extent of work required and we will report this in our Audit Strategy Memorandum for the 2015/16 audit.

04 National publications and other updates

This section contains updates on the following:

1. **A short guide to the Department for Communities and Local Government, National Audit Office**
2. **A short guide to the National Audit Office's work on local authorities, National Audit Office**

1. **A short guide to the Department for Communities and Local Government, National Audit Office**

The National Audit Office (NAO) is publishing a suite of short guides; one for each government department, to assist House of Commons Select Committees. This guide is designed to provide a quick and accessible overview of the Department and focuses on what the Department does, how much it costs and recent and planned changes.

<https://www.nao.org.uk/report/a-short-guide-to-the-department-for-communities-and-local-government/>

2. **A short guide to the National Audit Office's work on local authorities, National Audit Office**

The NAO has also published a short guide to its work on local authorities; this guide is designed to provide a quick and accessible overview of how local government is funded, the pressures local authorities face, staffing, and major recent and future developments.

<https://www.nao.org.uk/report/a-short-guide-to-the-naos-work-on-local-authorities/>

05 Contact details

Please let us know if you would like further information on any items in this report.

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