

# Sunderland City Council

## Audit Progress Report

June 2014



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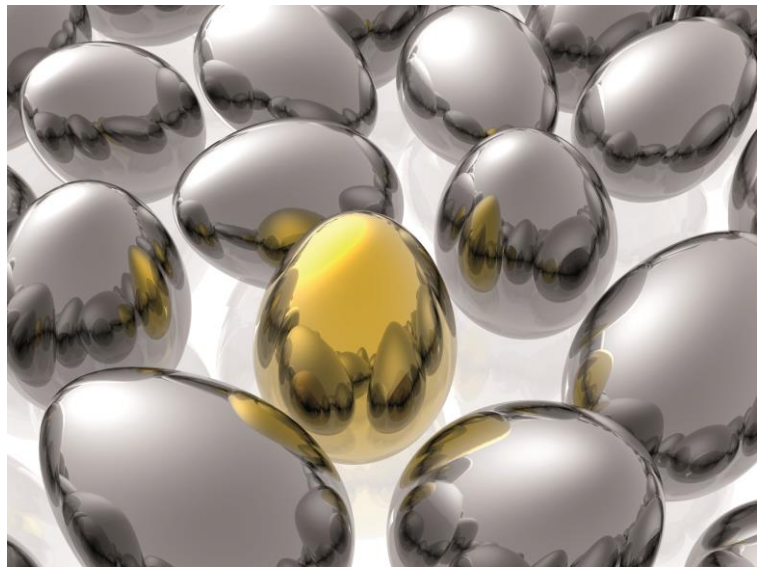
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# 01

## Purpose of this paper



This paper updates the Audit and Governance Committee on our progress in meeting our responsibilities as your external auditor. It also highlights key emerging national issues and developments which may be of interest to you.

If you require any further information please contact your Engagement Lead or Senior Manager using the contact details at the end of this update.

# 02

## Summary of audit progress



Our audit work has continued to progress well.

### **Opinion audit**

We have completed our interim work on financial systems.

We did not identify any significant issues that require reporting to members.

We have maintained a dialogue with officers working on the production of the Council's accounts. This has once again been a positive process and we envisage that this will help the audit of the accounts run more smoothly.

### **VFM conclusion**

We continue to review the Council's arrangements to secure VFM in its use of resources. This has included reviewing the Council's key plans and the delivery of those plans, and its financial arrangements, as well as considering the data in VFM profiles.

# 03

## Emerging issues and developments



The following pages outline for your attention some significant emerging issues and developments in respect of:

- Proposed closure of the Audit Commission and the transfer of its functions
- Latest information on Value for Money (VFM) profiles
- Confirmation of 2014/15 work programme and scale of fees
- Audit fee rebates and future reductions

# Emerging issues and developments

Issue / development	Implications
<p><b>Proposed closure of the Audit Commission and the transfer of its functions</b></p> <p>Over recent months, the arrangements for the closure of the Audit Commission and transitional arrangements for the transfer of its functions have been clarified.</p> <p>The Audit Commission is expected to close at the end of March 2015.</p> <p>Transitional arrangements are needed to oversee the remaining life of audit contracts that have been let by the Commission. These contracts run to the end of the 2016/17 audit year, but there is an option to extend them by 3 years to the 2019/20 audit year.</p> <p>These functions are to transfer to an independent, private company established by the Local Government Association (LGA). The functions will include appointing auditors, regulating the work auditors do, setting the annual scale of audit fees and ensuring the quality of auditors work.</p> <p>It is envisaged that at the end of these contracts, authorities will be free to appoint their own auditors and other regulatory arrangements will be put in place.</p> <p>The Commission's counter fraud functions, including its annual survey on fraud, fraud briefings and annual report on detected fraud, are to be transferred to CIPFA, who are to establish a new public sector counter fraud centre.</p> <p>This is separate from the Commission's work on the National Fraud Initiative (NFI), which uses data matching to help public sector bodies to identify and address fraud. The NFI services are due to transfer to the Cabinet Office when the Commission closes.</p>	<p>These measures are designed to achieve a smooth transfer of functions when the Audit Commission closes, so that there is no adverse impact on authorities.</p> <p>More information on the transfer of management of audit contract functions can be found at:  <a href="http://www.audit-commission.gov.uk/2014/03/dclg-opts-for-the-local-government-association-to-manage-the-audit-commissions-85-million-audit-contracts-when-it-closes/">http://www.audit-commission.gov.uk/2014/03/dclg-opts-for-the-local-government-association-to-manage-the-audit-commissions-85-million-audit-contracts-when-it-closes/</a></p> <p>More information on the transfer of counter fraud work to CIPFA can be found at:  <a href="http://www.audit-commission.gov.uk/2014/03/commissions-national-counter-fraud-function-will-go-to-safe-hands/">http://www.audit-commission.gov.uk/2014/03/commissions-national-counter-fraud-function-will-go-to-safe-hands/</a></p>

# Emerging issues and developments

Issue / development	Implications
<p><b>Latest information on Value for Money (VFM) profiles</b></p> <p>The Audit Commission has continued to promote the use of its VFM profiles.</p> <p>We have previously highlighted in these pages a number of reports produced by the Audit Commission which draw attention to aspects of the profiles. In recent months, the Commission has produced further reports in relation to using the profiles to examine the administration of benefits, central costs, waste management and most recently, the use of assets.</p> <p>As identified earlier in this report, we consider the VFM profiles as part of our work on the VFM conclusion.</p> <p>One question that has now been clarified is that arrangements have been made to continue the VFM profiles tool after the Commission closes in March 2015. Responsibility for the VFM profiles tool will transfer to the transitional body to be created by the LGA (mentioned in the previous item of this briefing).</p> <p>The Commission has said that the “profiles tool ... brings together data about the cost, performance and activity of local councils and fire authorities. Auditors use the tool to identify areas that need further examination, when working on the VFM conclusion in the annual audit. The Profiles are also widely used by the public, with over 135,000 visits this year to individual pages.”</p>	<p>The VFM profiles tool can be used by officers, members and the public to consider data on the cost, performance and activities of authorities and is available at the following web address:</p> <p><a href="http://profiles.audit-commission.gov.uk/layout/s/acwebparts/NativeViewer.aspx?Report=/Profiles/VFM_Landing">http://profiles.audit-commission.gov.uk/layout/s/acwebparts/NativeViewer.aspx?Report=/Profiles/VFM_Landing</a></p> <p>The reports on specific topic areas using the VFM profiles are available at the following link:</p> <p><a href="http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/">http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</a></p>



# Emerging issues and developments

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<p><b>Confirmation of 2014/15 work programme and scale of fees</b></p> <p>The Audit Commission has now confirmed the 2014/15 work programme and scale of fees, following a consultation exercise.</p>	<p>Sunderland City Council's audit fee for the 2014/15 audit is confirmed as £179,562. This is the same fee as 2012/13 and 2013/14.</p> <p>The fees announcement can be found at:  <a href="http://www.audit-commission.gov.uk/2014/03/201415-work-programme-and-scales-of-fees-confirmed/">http://www.audit-commission.gov.uk/2014/03/201415-work-programme-and-scales-of-fees-confirmed/</a></p>
<p><b>Audit fee rebates and future reductions</b></p> <p>In March 2014, the Audit Commission distributed £8m in an audit fee rebate across all locally audited bodies.</p> <p>In addition, the Commission has now re-let a number of audit contracts, and expects that there will be further fee reductions spread across all locally audited bodies from the 2015/16 audit year.</p>	<p>There continues to be downward pressure on audit fees.</p> <p>These announcements can be found at:  <a href="http://www.audit-commission.gov.uk/2014/03/commission-gives-back-8-million-to-audited-bodies/">http://www.audit-commission.gov.uk/2014/03/commission-gives-back-8-million-to-audited-bodies/</a>  and:  <a href="http://www.audit-commission.gov.uk/2014/03/the-audit-commissions-legacy-includes-a-further-25-per-cent-reduction-in-annual-audit-fees/">http://www.audit-commission.gov.uk/2014/03/the-audit-commissions-legacy-includes-a-further-25-per-cent-reduction-in-annual-audit-fees/</a></p>



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