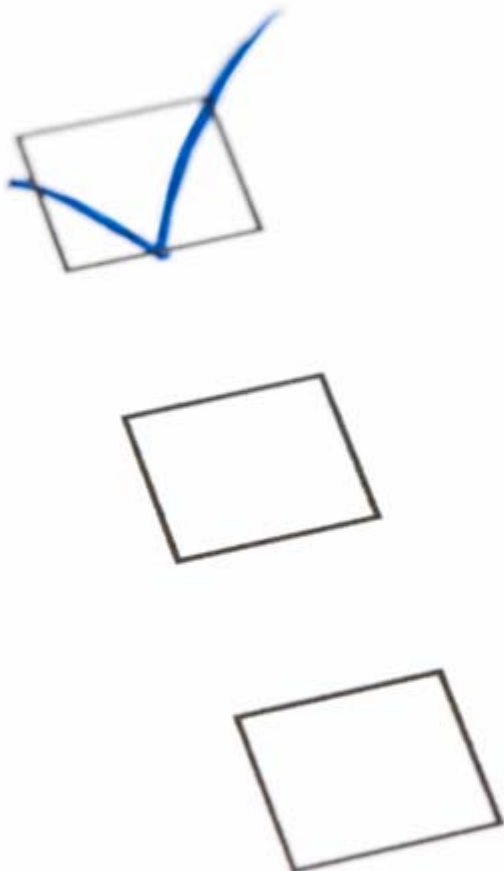


Sunderland City Council

Audit Progress Report

March 2013



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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.

Finally, please note the website address www.mazars.co.uk which sets out the range of work Mazars carries out across the UK public sector. It also details the wider services provided within the UK and abroad.

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Summary of audit progress



Good progress on the 2012/13 audit has continued:

- We have agreed our Audit Strategy Memorandum with officers. This will be presented to the Audit and Governance Committee and is elsewhere on the March agenda papers.
- Work is now well underway on each of the key financial systems to confirm our understanding of the systems, including reviewing documentation on the design and operation of the systems and walking through transactions to test our understanding of how the systems work in practice.
- We are also reviewing general ICT controls and making arrangements for early substantive testing of income and expenditure.
- Work has also progressed on the VFM conclusion and we are currently analysing the latest VFM profiles and financial ratio analysis.

Advisory work

In addition to our prescribed audit work we are able to offer a wide range of additional assistance. Members should note that we intend to fully comply with ethical standards and we will ensure that there is no conflict with our role as your external auditor.

To date, the Executive Director of Commercial and Corporate Services has commissioned a Review of Internal Audit from us and we have discussed some other potential areas for review with officers. The reviews that other councils have found particularly useful are:

- Fees and charges – we have helped councils to maximise income from fees and charges
- Outdoor advertising – we have helped councils maximise income from outdoor advertising
- Lean reviews – we have identified opportunities to improve efficiency
- Performance management – we help councils to improve their focus on outcomes, with the aim of better targeting resources and measuring their effectiveness.

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Emerging issues and developments



The following pages outline some significant emerging issues and developments that Members and officers will be considering over the coming months. As the Audit and Governance Committee only met last month, there are fewer issues to raise in this month's report:

- The Local Government Financial Settlement 2013/14, including the impacts of localisation of business rates and localising council tax support
- Public health changes from April 2013
- VFM profiles and financial ratio tools
- Final accounts workshops for finance staff

Emerging issues and developments

Issue / development

Local Government Financial Settlement 2013/14 (February 2013)

The Government announced that spending power by English local authorities reduced by 1.7 per cent in 2013/14 compared to 2012/13. This has not impacted all local authorities equally. The provisional settlement for 2014/15 shows an overall reduction in spending power of 3.8 per cent for English local authorities, but again with variations between authorities.

As well as the direct cuts in funding, this year's settlement has also been accompanied by significant changes in business rates and localisation of council tax support, which in effect transfer some risks (and some opportunities) from central government to local government.

Authorities will be able to keep a proportion of any growth in business rates, but must also share any reductions. This means that a local authority's income may change if the amount of business rates that they collect goes up or down.

Councils have agreed their own local schemes for council tax support. Central government has reduced the level of overall subsidy by an average of 10% nationally. Councils have been free to design their own schemes but have been required to protect pensioners. Councils have faced difficult choices about whether to reduce the support to working age claimants or make savings in other budgets.

Emerging issues and developments

Issue / development

Public health changes from April 2013

From April 2013, single tier and county councils take on new responsibilities for public health in three areas: health improvement, health protection and supporting the commissioning of quality healthcare.

The new responsibilities are significant and councils have been planning for the transfer. The new responsibilities will be accompanied by funding, although this is expected to diminish in future years.

VFM profiles and financial ratio tools (February 2013)

The Audit Commission has updated its VFM profile and financial ratios tools for 2011/12 outturn data. The profiles are available by following the links at www.audit-commission.gov.uk. They enable key indicators for Sunderland City Council to be compared with all English councils, geographical neighbours and regions, single tier councils, metropolitan councils, or nearest neighbour groupings.

Final accounts workshops for finance staff (February 2013)

Mazars has provided a workshop for finance staff on accounting and auditing issues relating to the closedown and preparation of the 2012/13 statement of accounts. The workshop was free for our clients, including Sunderland City Council, and your officers attended the event in February 2013. We understand that the workshop was well received and thought to be beneficial.

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