

Sunderland City Council

Audit Progress Report

March 2014



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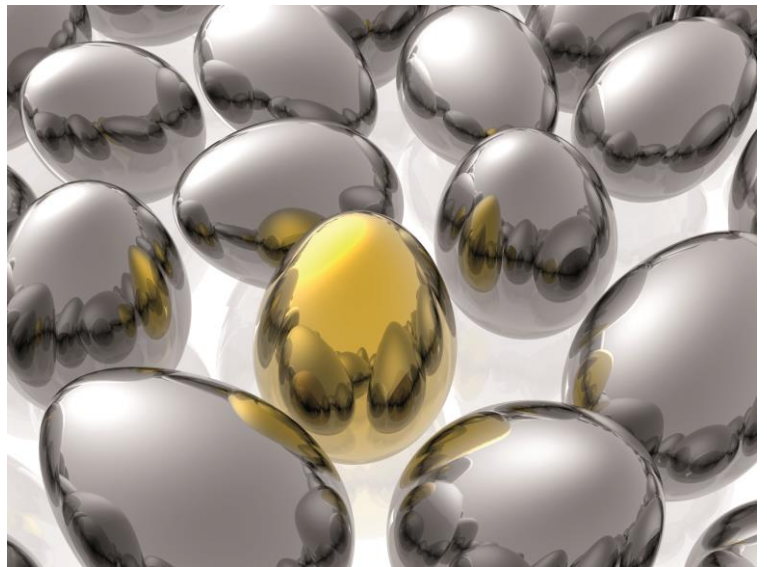
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Purpose of this paper

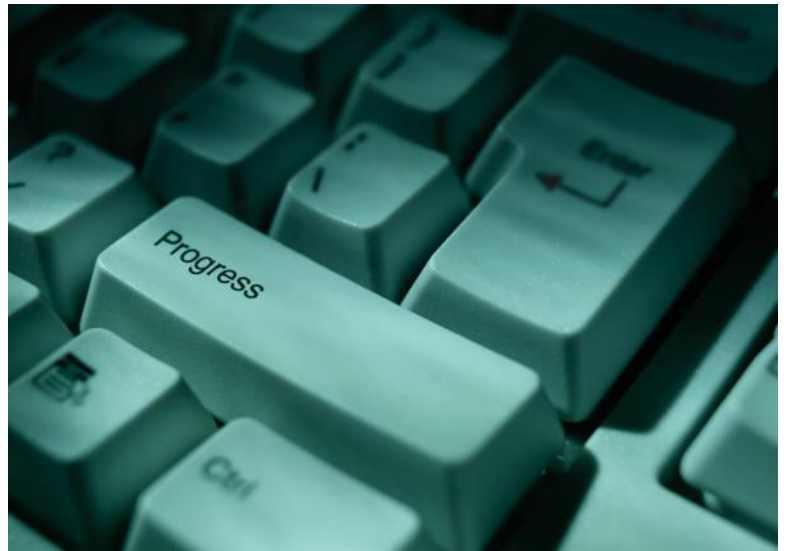


This paper updates the Audit and Governance Committee on our progress in meeting our responsibilities as your external auditor. It also highlights key emerging national issues and developments which may be of interest to you.

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

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Summary of audit progress



In February 2014, Mazars provided a workshop for finance staff on accounting and auditing issues relating to the closedown and preparation of the 2013/14 statement of accounts. These workshops were well attended and well received by our clients. The Council's officers were represented at the workshop.

We have now completed our audit planning and our Audit Strategy Memorandum is also on the agenda for this meeting. This document sets out the risks we have identified for both the opinion on the financial statements and the value for money conclusion, and our overall approach to the audit.

We are now starting our detailed work.

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Emerging issues and developments



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

- Future of Local Audit: Consultation on Secondary Legislation, DCLG – Responses to the Consultation
- The Local Audit and Accountability Act 2014

Emerging issues and developments

Issue / development	Implications
<p>Future of Local Audit: Consultation on Secondary Legislation, DCLG – Responses to the Consultation</p> <p>As discussed at the February 2014 Committee meeting, this consultation included whether the local authority accounts production timetable should be brought forward.</p> <p>The results of the consultation have now been published and the responses in relation to the accounts timetable are reproduced below.</p>	<p>If the accounts timetable is brought forward this would impact on the Authority's accounts production processes.</p> <p>The responses to the consultation can be found at: https://www.gov.uk/government/consultations/future-of-local-audit-consultation-on-secondary-legislation</p>

5.12 Question 16 sought views on whether to bring forward the local government accounts timetable and what practical issues this change might raise. Many respondents provided detailed replies, and we are particularly grateful for the information on the practical implications of implementing such a change. A small

number of local authorities and accounting organisations either simply supported an advance of the timetable, or agreed in principle that it was desirable. But most respondents were opposed to a change, or argued that now was not an appropriate time. In many cases opposition was based on a view that the additional work involved in earlier publication could not be justified when public interest in the accounts was so limited and authorities were under financial pressure. Another concern raised was that earlier publication would be achieved at the expense of accuracy, unless additional resources could be devoted to the task.

5.13 A number of more specific practical issues were raised. Many respondents drew attention to the phasing of external audit work that is now possible, with NHS audits undertaken first and then local authority audits. An advance of the local government timetable would compress the auditors' work programme, resulting in extra costs that might be passed on in higher audit fees. Some respondents made a link with the issue of simplification of the accounts raised in responses to question 15 which might assist an advance in the timetable. Reference was also made to some significant accounting developments in prospect in the next few years, such as changes in the valuation of transport infrastructure assets, which would be difficult to achieve when an authority was adjusting to a tighter timetable. Respondents supported the proposal to give notice of a change at least 12 months before the beginning of the year, in some cases recommending a longer period.

Source: DCLG, Consultation on secondary legislation, summary of responses, 10 March 2014

Emerging issues and developments

Issue / development	Implications
<p>The Local Audit and Accountability Act 2014 On 30 January 2014 the Local Audit and Accountability Act 2014 (the Act) received Royal Assent.</p> <p>The Act sets out fundamental reforms to the local audit regime. The Audit Commission will close on 31 March 2015 and a residuary body will oversee the audit contracts let by the Commission until they expire.</p>	<p>A summary guide for Audit and Governance Committee members is attached on the next two pages.</p>

The Local Audit and Accountability Act 2014

A summary guide for Audit Committee members

Introduction

On 30th January 2014 the Local Audit and Accountability Act 2014 (the Act) received Royal Assent.

The Act sets out fundamental reforms to the local audit regime. The Audit Commission will close on 31 March 2015 and a residuary body will oversee the audit contracts let by the Commission until they expire.

The new responsibility of local public bodies to appoint their own auditor will come into effect on the expiry of the existing Audit Commission contracts, and those contracts currently out to tender. It has yet to be determined whether these new contracts will be for 2 or 5 years, so the new arrangements will take effect from either the 2017/18 accounts or the 2020/21 accounts.

Although the Act provides an overall framework for the new local audit regime, much of the detail underpinning these fundamental changes will not be provided until the Secretary of State makes regulations to specify certain provisions.

In addition to changes affecting audit, the Act enables the Secretary of State to direct bodies to comply with the code of practice on local authority publicity, something bodies were previously required to have regard to. It also extends the council tax referendum provisions introduced in the Localism Act. This leaflet focuses on the audit changes.

The purpose of this briefing is to provide members with a summary of the principal provisions of the Act and to give an initial view of the impact that the Act may have on the audit of local government bodies.

What are the key provisions?

Audit appointments

The Act sets out a new framework which requires local public bodies to appoint their own auditors. Appointments for any given financial year will have to be made by 31 December of the preceding financial year.

Bodies will be required to appoint their auditors at least once every 5 years and will be required to publish information about the appointment within 28 days of making the appointment.

Independent Audit Panels

With the exception of chief constables, relevant authorities are required to establish an 'Independent Audit Panel'. It will be the responsibility of the Panel to advise the body on the selection and appointment of an auditor. The Panel will also be required to monitor and maintain the independence of the auditor.

At some point in the future, the Secretary of State may make regulations that provide additional guidance on the role of the Panel or impose further requirements that are not contained within the Act itself.

The Act stipulates that Panels must:

- consist of a majority of independent members (or wholly of independent members); and
- be chaired by an independent member.

The Act provides further details on the criteria of an independent member. You are unlikely to qualify as an independent member if you have:

- been a recent member or officer of the body;
- been a recent member or officer of an entity connected with the body; or
- a relative who is a member or officer of the body.

Collective Procurement

The Act allows bodies to procure audit services collectively by enabling the Secretary of State to make provision for the appointment of an auditor by an 'appointing person'. This is in response to the view that collective procurement may be more cost effective and efficient for bodies.

Auditor eligibility

Schedule 5 to the Act provides details on who can act as a local auditor. It states that individuals or firms that were qualified to act as appointed auditors under the Audit Commission Act 1998 will continue to hold the relevant qualifications required to carry out local audits under the Act.

The Secretary of State will have the ability to make regulations that change who can be considered eligible as a local auditor.

Auditor responsibility

The primary functions of the auditor will be largely unchanged, i.e. provision of:

- an opinion on the accounts (i.e. the accounts present a true and fair view and have been produced in accordance with proper practice); and
- a conclusion that the body has arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Joint audits

The Act allows bodies to appoint joint auditors however it does not explain how this will work in practice. It may be possible, for example, for one auditor to carry out the value for money conclusion work and another auditor complete the audit of the statement of accounts.

Role of the National Audit Office (NAO) and other bodies

The Act outlines how Audit Commission functions will be transferred to other bodies:

- the NAO will maintain a Code of Audit Practice and supporting guidance for auditors;
- the NAO will also carry out thematic value for money examinations; and
- the Cabinet Office will be responsible for data matching including the National Fraud Initiative.

Rights of electors

The Act adopts the majority of the provisions of the Audit Commission Act 1998 in respect of the rights of the public to:

- inspect the statement of accounts;
- inspect documents and records which relate to the year of audit; and
- make an objection to the local auditor.

Mazars and local audit

Mazars is committed to the provision of high-quality, specialised local audit and advisory services to local authorities, pension funds, blue-light organisations and health bodies. Our aim is to be the auditor of choice for public service bodies.

Please get in touch

This briefing provides a summary of the impact of the Local Audit and Accountability Act. If you would like further information on how the Act is likely to affect your body and how we can support you in your transition to the new arrangements for public audit, please contact one of the team.

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