

Audit Progress Report

Tyne & Wear Fire and Rescue Authority

March 2018



**Tyne and Wear Fire
and Rescue Service**
Creating the Safest Community

www.twfire.gov.uk





CONTENTS

1. Audit progress
2. National publications and other updates
3. Contact details

This document is to be regarded as confidential to Tyne & Wear Fire and Rescue Authority. It has been prepared for the sole use of the Governance Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. AUDIT PROGRESS

Purpose of this report

The purpose of this paper is to provide the Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

This paper also seeks to highlight key emerging national issues and developments which may be of interest to Members of the Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

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 work Mazars does in the public sector.

2017/18 audit planning

We have now completed our 2017/18 planning and the results are reflected in the Audit Strategy Memorandum included as a separate agenda item for discussion at the Governance Committee on 26 March 2018.

Our planning included:

- identifying the business risks facing the Authority, including assessing your own risk management arrangements;
- considering financial performance;
- assessing internal controls, including reviewing the control environment;
- evaluating and testing the IT control environment;
- assessing the risk of material misstatement arising from the activities and controls within the information systems; and
- completing walkthrough tests on the key controls within the material financial systems.

As part of our work, we took into account the most recently published updated VFM guidance for local government bodies. There are no changes in the fundamental approach to our VFM work, although there is an update on the current issues facing fire and rescue authorities. <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

We held planning meetings with senior managers to inform our planning risk assessments and to better understand the priorities and challenges the Authority faces. We also discussed the previous year's audit and considered any areas for continuous improvement.

As part of our commitment to quality, team members have already attended our annual audit training which included technical issues in the sector and feedback from quality reviews to take into account in the coming year.

Bringing forward the accounts and audit timetable

The key challenge this year is to adhere to the new statutory timetable for accounts production and audit. We have continued to work with officers as they seek to streamline arrangements for preparing your statement of accounts. Officers plan to produce the draft accounts requiring certification by the end of May 2018 and we aim to complete the audit by the end of July 2018.

2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATES

	Publication
1	NAO publication: WannaCry Cyber Attack and the NHS, October 2017
2	CIPFA Fraud and Corruption Tracker, November 2017
3	PSAA is consulting on the fee scale for 2018/19 audits of opted-in bodies, December 2017
4	Update on Auditor Appointments from 2018/19, Public Sector Audit Appointments, December 2017
5	PSAA's Report on the results of auditors' work 2016/17: Local government bodies, December 2017
6	Secretary of State for Communities and Local Government announces shake-up of the funding formula for local authorities, December 2017
7	Financial difficulties experienced by Northamptonshire County Council
8	Local authorities encouraged to consider local public accounts committees, February 2018
9	Preparing for full GDPR implementation by 25 May 2018

1. Audit progress

2. National publications

3. Contact details

2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATES

1. NAO publication: WannaCry Cyber Attack and the NHS, October 2017

In October, the NAO published its report on the NHS's response to the cyber attack that affected health bodies and other organisations in May 2017. According to NHS England, the WannaCry ransomware affected at least 81 out of the 236 trusts across England, because they were either infected by the ransomware or turned off their devices or systems as a precaution. A further 603 primary care and other NHS organisations were also infected, including 595 GP practices.

The investigation focused on the events immediately before 12 May 2017 and up to 30 September 2017 and the ransomware attack's impact on the NHS and its patients; why some parts of the NHS were affected; and how the Department and NHS national bodies responded to the attack.

The key findings are:

- The Department was warned about the risks of cyber attacks on the NHS a year before WannaCry and although it had work underway it did not formally respond with a written report until July 2017.
- The attack led to disruption in at least 34% of trusts in England although the Department and NHS England do not know the full extent of the disruption.
- Thousands of appointments and operations were cancelled and in five areas patients had to travel further to accident and emergency departments.
- The cyber attack could have caused more disruption if it had not been stopped by a cyber researcher activating a 'kill switch' so that WannaCry stopped locking devices.
- The Department had developed a plan, which included roles and responsibilities of national and local organisations for responding to an attack, but had not tested the plan at a local level.
- NHS England initially focused on maintaining emergency care. Since the attack occurred on a Friday it caused minimal disruption to primary care services, which tend to be closed over the weekend.
- NHS Digital stated that all organisations infected by WannaCry shared the same vulnerability and could have taken relatively simple action to protect themselves. Infected organisations had unpatched, or unsupported Windows operating systems so were susceptible to the ransomware.

The NHS has accepted that there are lessons to learn from WannaCry and is taking action. NHS England and NHS Improvement have written to every major health body asking boards to ensure that they have implemented all alerts issued by NHS Digital between March and May 2017 and taken essential action taken to secure local firewalls.

The Report is available at the NAO website at the following link: <https://www.nao.org.uk/report/investigation-wannacry-cyber-attack-and-the-nhs/>

2. CIPFA Fraud and Corruption Tracker, November 2017

CIPFA has published its third annual fraud and corruption tracker, which provides an overview of fraud, bribery and corruption issues identified across local government. The tracker summarises trends in the number, value and type of identified frauds, and highlights areas and services that are perceived to be at greatest risk.

<http://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker>

2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATES

3. PSAA is consulting on the fee scale for 2018/19 audits of opted-in bodies, December 2017

The consultation sets out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2018/19 financial statement at bodies that have opted into PSAA's national auditor appointment scheme.

PSAA proposed that scale audit fees for 2018/19 should reduce by 23 per cent, compared to the fees applicable for 2017/18. This reduction is possible as a result of the favourable prices secured from audit firms in the recent audit services procurement. It follows a period from 2012/13 to 2017/18 in which scale fees reduced significantly by an aggregate of 55 per cent.

The proposed audit fee for Tyne & Wear Fire and Rescue Authority for the 2018/19 audit is £23,590 (compared to £30,636 for the 2017/18 audit).

<https://www.psaa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/>

4. Update on Auditor Appointments from 2018/19, Public Sector Audit Appointments, December 2017

PSAA has now confirmed the auditor appointments from 2018/19 to the opted-in bodies by the statutory deadline of 31 December 2017. We are pleased that we have been confirmed as the Authority's external auditor under the new contracts.

<https://www.psaa.co.uk/2017/12/news-release-confirmation-of-auditor-appointments-from-2018-19/>

5. PSAA's Report on the results of auditors' work 2016/17: Local government bodies, December 2017

In December 2017 Public Sector Audit Appointments published its *Report on the results of auditors' work 2016/17: Local government bodies*. This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

Tyne & Wear Fire and Rescue Authority is named in the report as one of 83 principal bodies where audit opinions were issued before 31 July 2017, reflecting the Authority's work to bring forward the accounts and audit timetable a year earlier than formally required.

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

6. Secretary of State for Communities and Local Government announces shake-up of the funding formula for local authorities, December 2017

As reported by Public Finance, on Tuesday 19 December 2017, within the local government settlement to the House of Commons, Communities secretary Sajid Javid announced a shake-up of the formula for distributing funding to local authorities in England. He also set out plans to allow councils to retain 75% of their business rates and a 1% increase in council tax raising powers.

The Communities secretary confirmed plans to end the revenue support grant and allow councils to retain 100% of local business rates by 2020 would be put on hold, over concerns that some councils could be left out of pocket. Instead, he said there needed to be an "updated and more responsive distribution methodology", and that councils would be allowed to retain 75% of business rates by 2020/21. He said: "I am today publishing a formal consultation on a review of relative needs and resources. I aim to implement a new system based on its findings in 2020/21."

He also announced that councils would be allowed to increase their Council Tax requirement by an additional 1% without a local referendum, bringing it in line with inflation.

http://www.publicfinance.co.uk/news/2017/12/javid-announces-overhaul-local-authority-funding?utm_source=Adestra&utm_medium=email&utm_term=

2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATES

7. Financial difficulties experienced by Northamptonshire County Council

There has been much media coverage of Northamptonshire County Council's financial problems, which led to the Council issuing a section 114 notice stopping all non-statutory spending (the first such notice issued anywhere for almost 20 years), and difficulties in setting a legal budget for 2018/19 which are still ongoing. These issues highlight the impact that austerity measures can have on local government services, and the importance of delivering any savings needed to balance the budget, however difficult and unpalatable such decisions might be.

The three Public Finance articles (links below) provide a good summary of these issues:

<http://www.publicfinance.co.uk/news/2018/02/northants-revised-budget-finds-further-ps99m-savings1>

<http://www.publicfinance.co.uk/news/2018/02/northamptonshire-review-budget-following-audit-warning>

<http://www.publicfinance.co.uk/news/2018/02/northamptonshire-sparks-warnings-other-councils-could-fail>

8. Local authorities encouraged to consider local public accounts committees, February 2018

Research published by Association for Public Service Excellence (APSE) and written and researched by the Local Governance Research Unit at De Montfort University explores how public services, and the decisions made about them by unelected bodies, can be held to account by local government as an elected governing body. Moreover, it seeks to understand the developing and expanding role of local government as both a vehicle for public accountability and in influencing and shaping the governance networks within which it exists.

The report '*Bringing Order to Chaos. How does local government hold to account agencies delivering public services?*' makes a series of recommendations including:

- A Local Public Accounts Committees should be formed by all councils and be given the same statutory powers over external agencies as has health scrutiny in relation to the NHS
- Securing public accountability must be developed as a role for all councillors and not restricted to a functional overview and scrutiny committee process
- Robust accountability processes need to be put in place for all arms-length bodies created by a council. Mechanisms must be put in place whereby all other councillors are able to challenge, question, seek justification from and influence the actions of arms-length bodies and scrutiny and full council should be engaged in such a process
- Councils should produce a local 'governance framework' policy document which identifies all those organisations with which the council interacts and which creates a shared vision of the development of public services across the councils area
- Councils should create a 'governance forum' where all those organisations with which the council interacts, can regularly meet to ensure a co-ordinated approach to public service delivery and long-term planning for service development and contribute to the 'governance framework'
- There should be a legal requirement – through an extension of the principle of a 'duty to co-operate' - on all public service providers to engage with local government, at the earliest possible time, when developing policy and taking decisions about public services

The full report is available to download for free.

<http://www.apse.org.uk/apse/index.cfm/research/current-research-programme/bringing-order-to-chaos-how-does-local-government-hold-to-account-agencies-delivering-public-services/>

2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATES

9. Preparing for full GDPR implementation by 25 May 2018

In January and February 2018, we ran two workshops on compliance with GDPR. Tyne & Wear Fire and Rescue Authority was represented at one of the workshops.

We thought a summary of the requirements would be helpful for Members.

The EU's **General Data Protection Regulation (GDPR)** is the result of four years of work by the EU to bring data protection legislation into line with new, previously unforeseen ways that data is now used.

Currently, the UK relies on the Data Protection Act 1998, which was enacted following the 1995 EU Data Protection Directive, but this will be superseded by the new legislation. It introduces tougher fines for non-compliance and breaches, and gives people more say over what organisations can do with their data. It also makes data protection rules more or less identical throughout the EU.

This is the **first comprehensive regulation** dedicated to the European data protection rules in 20 years. Adopted into law on 27 April 2016 and **came into force on 25 May 2016**.

By **25 May 2018**, all organisations are required to have implemented its principles, regardless of Brexit.

The key principles of GDPR are:

- **Fair and Lawful** – Must have legitimate grounds for collecting and using the personal data. Use in accordance with the law and regulations. Transparency.
- **Purposes** should be specified, explicit and legitimate
- **Proportionality** – Must hold personal data about an individual that is sufficient for the purpose it is held for. Do not hold more information than needed for that purpose.
- **Accuracy** - Carefully consider any challenges to the accuracy of information. Consider whether it is necessary to update the information.
- **Deletion** - Personal data shall not be kept for longer than necessary. Only relevant data can therefore be kept.
- **Subject's Access** - Right of access, Right to object to processing, Right to prevent processing for direct marketing, Right to object to decisions being taken by automated means, Right to have inaccurate personal data rectified, blocked or destroyed.
- **Security measures** - Take all necessary steps to ensure the data security.
- **Transfers Limitation** - No transfer to a country or territory outside the EEA unless that country or territory ensures an adequate level of protection for the rights and freedoms of data subjects.

In the UK, the Information Commissioner will have a key role.

“It's an evolutionary process for organisations – 25 May is the date the legislation takes effect but no business stands still. You will be expected to continue to identify and address emerging privacy and security risks in the weeks, months and years beyond May 2018. That said, there will be no 'grace' period – there has been two years to prepare and we will be regulating from this date.

But we pride ourselves on being a fair and proportionate regulator and this will continue under the GDPR. Those who self-report, who engage with us to resolve issues and who can demonstrate effective accountability arrangements can expect this to be taken into account when we consider any regulatory action.”

Information Commissioner – Elizabeth Denham, 22 December 2017

The GDPR requirements are particularly important to local government, given the nature of their activities, dealing directly with citizens and holding a range of personal and sensitive data. While there has been much focus on potential financial penalties, there is a need to see this more as an opportunity for enhanced accountability, to ensure that citizens' data is processed in a secure but transparent manner, and realise the benefits to be gained by building trust with citizens through the adoption of a fair and transparent approach to the collection and use of their data. Recent high profile cases highlight the risks of what can happen if data is not adequately protected.

2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATES

9. Preparing for full GDPR implementation by 25 May 2018 (continued)

What organisations must do now – especially if they are 'behind' with preparations for GDPR – is set out below.

Firstly Organisational commitment – Preparation and compliance must be cross-organisational, starting with a commitment at the highest level. There needs to be a culture of transparency and accountability as to how you use personal data – and recognising that the public has a right to know what's happening with their information.

Privacy Assessment - Ensure you perform a privacy assessment to understand what data you have, from where it is sourced, to whom you provide it, and for what purposes it is used. This will involve reviewing your contracts with third party processors to ensure they're fit for GDPR. Implement accountability measures - including appointing a data protection officer if necessary, considering lawful bases, reviewing privacy notices, designing and testing a data breach incident procedure that works for you and thinking about what new projects in the coming year could need a Data Protection Impact Assessment.

Compliance & Monitoring - Confirm your state of compliance to existing legislation, and whether there are any current operational weaknesses, in-house and within third parties. Perform a gap analysis between as-is and the GDPR to-be.

Privacy Training – Ensure staff know their responsibilities and are appropriately trained.

Privacy Governance - Prepare a strategy and a plan to achieve full GDPR compliance. Prioritise development. Address the riskier areas of non-compliance first. Be able to demonstrate commitment to reasonable and realistic timescales for addressing other weaknesses and shortcomings in respect of the new legislation and, similarly, commitment to continuous monitoring, review and improvement. Ensure appropriate security – you'll need continual rigour in identifying and taking appropriate steps to address security vulnerabilities and cyber risks.

3. CONTACT DETAILS

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

www.mazars.co.uk

Mark Kirkham

Partner

0191 383 6300

mark.kirkham@mazars.co.uk

Gavin Barker

Senior Manager

0191 383 6300

gavin.barker@mazars.co.uk

Address:

Salvus House,

Aykley Heads,

Durham,

DH1 5TS

0191 383 6300

1. Audit progress

2. National publications

3. Contact details