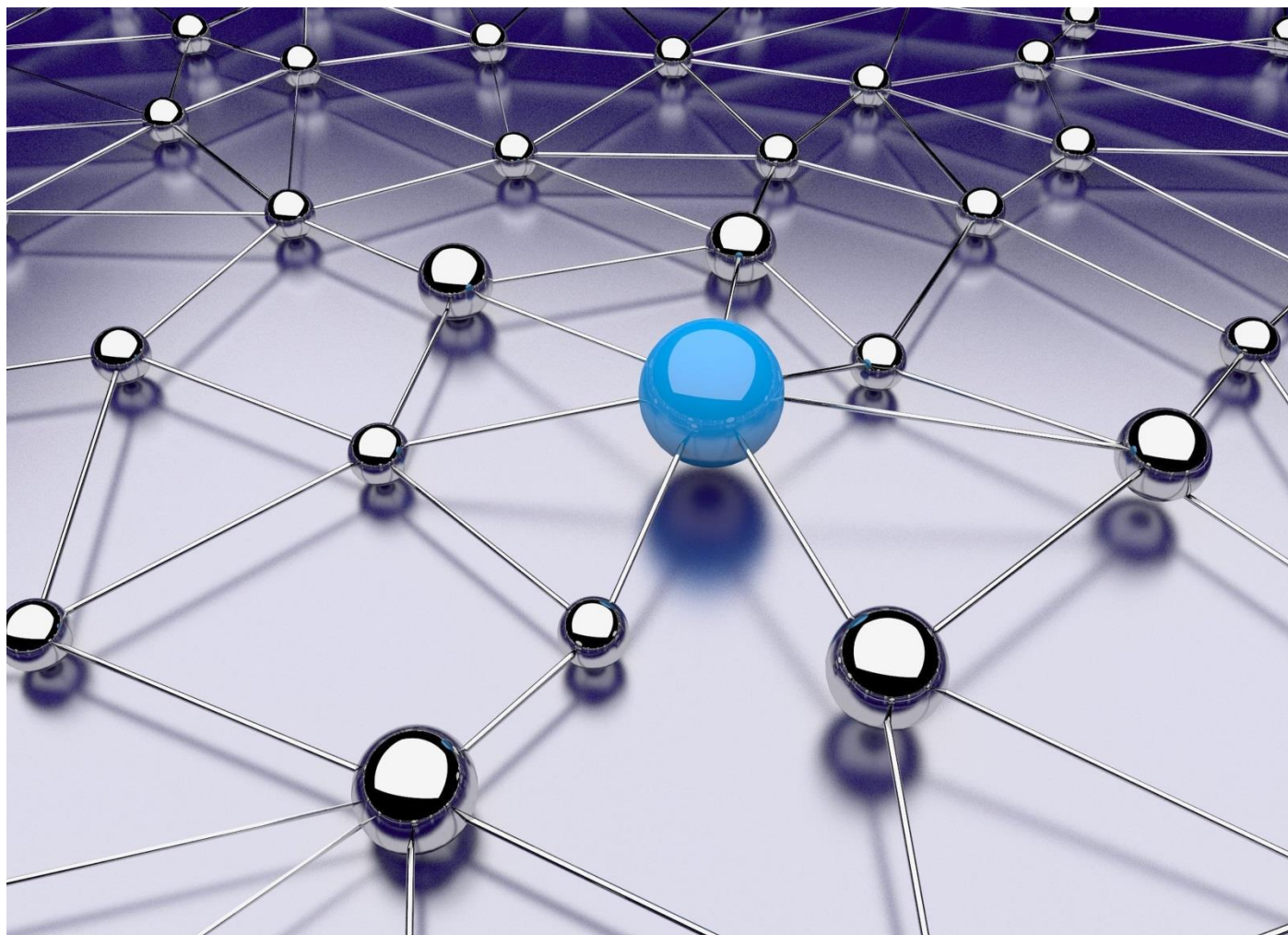


Sunderland City Council Audit Progress Report

June 2016




Sunderland
City Council

Contents

01 Introduction	2
02 Summary of audit progress	3
2015/16 update	3
North East Governance Forum	3
03 National publications and other updates	4
1. English devolution deals, <i>National Audit Office, April 2016</i>	4
2. Fighting fraud and corruption locally: the local government counter fraud and corruption strategy 2016 to 2019, <i>Department for Communities and Local Government, April 2016</i>	5
3. Oversight of audit quality: quarterly compliance reports 2015/16, <i>Public Sector Audit Appointments Ltd</i>	6
04 Contact details	7

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

2015/16 update

At this stage we have completed our planning work and carried out some interim testing. We have updated our IT risk assessment.

Based on our work to date, including walkthroughs of the key financial systems, we have no matters arising to report to you and there are no changes to our original assessment of significant risks (opinion and Value for Money) as set out in our Audit Strategy Memorandum presented to the Audit and Governance Committee on 18 March 2016.

We have liaised closely with the accountancy team during the production of the Council's draft financial statements for 2015/16. This has included regular discussions and an ongoing exchange of information. In our view, this helps for a smoother audit process. This year, officers have experimented with bringing forward the accounts production timetable in preparation for the requirement to prepare the accounts by the earlier date of 31 May from 2017/18.

After completing this year's audit, we will jointly assess with officers the earlier preparation arrangements and discuss how both of our teams can build on the progress to deliver an earlier audit for 2016/17.

On value for money (VFM) work, we have shared the results of an analysis of the latest VFM profiles with officers. There were no issues from this analysis that needed to be brought to the attention of Members. Other VFM work will be completed over the summer period.

North East Governance Forum

The second meeting of our North East Governance Forum takes place on Thursday 16 June 2016 at Durham County Cricket Club in Chester-le-Street and the Council is to be represented at this meeting. The agenda includes:

- a presentation from Durham Police on Cybercrime and system resilience;
- risk register benchmarking; and
- a governance round up of topical issues.

03 National publications and other updates

	National publications and other updates
1.	English devolution deals , <i>National Audit Office, April 2016</i>
2.	Fighting fraud and corruption locally: the local government counter fraud and corruption strategy 2016 to 2019 , <i>Department for Communities and Local Government, April 2016</i>
3.	Oversight of audit quality , <i>Public Sector Audit Appointments, quarterly compliance reports 2015/16</i>

1. English devolution deals, National Audit Office, April 2016

Devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended, according to the National Audit Office.

Over the last 18 months, 10 devolution deals have been agreed, outlining the transfer of powers, funding and accountability for policies and functions previously undertaken by central government, in Greater Manchester, Cornwall, Sheffield City Region; the North East; Tees Valley; Liverpool City Region; the West Midlands, East Anglia; Greater Lincolnshire; and the West of England. They are the latest in a range of initiatives and programmes designed to support localism and decentralisation.

HM Treasury and the Cities and Local Growth Unit are responsible for managing the negotiation, agreement and implementation of devolution deals on behalf of central government as a whole. All of the deals include an agreement on devolved responsibility for substantial aspects of transport, business support and further education. Other policy areas included in some of the deals are housing and planning, employment support and health and social care.

The government has announced new additional investment funding of £246.5 million a year alongside the devolution deals announced so far. Over time, the government intends to combine this funding with a number of other funding streams into a 'single pot' to enable more local control over investment decisions, and has announced £2.86 billion of initial allocations over 5 years for the first 6 mayoral devolution deals.

Central government's management approach to brokering devolution deals is designed to support its policy of localism. The government considers that devolution proposals should be led by local areas, and that central government's role should be to respond to these proposals. As a result, the government has decided not to set out a clear statement of what it is trying to achieve through devolution deals.

According to the NAO, however, there are significant accountability implications arising from the deals which central government and local areas will need to develop and clarify. These include the details of how and when powers will be transferred to mayors and how they will be balanced against national parliamentary accountability. The deals agreed so far involve increasingly complex administrative and governance configurations. And as devolution deals are new and experimental, good management and accountability both depend on appropriate and proportionate measures to understand their impact. To improve the chances of success, and provide local areas and the public with greater clarity over the progression of devolution deals, central government should clarify the core purposes of devolution deals as well as who will be responsible and accountable for devolved services and functions, and should ensure it identifies and takes account of risks to devolution deals that arise from ongoing challenges to the financial sustainability of local public services.

<https://www.nao.org.uk/report/english-devolution-deals/>

2. Fighting fraud and corruption locally: the local government counter fraud and corruption strategy 2016 to 2019, Department for Communities and Local Government, April 2016

Fighting Fraud and Corruption Locally is the new counter fraud and corruption strategy for local government. It provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities. By using this strategy local authorities will develop and maintain a culture in which fraud and corruption are understood to be unacceptable, understand their fraud risk and prevent fraud more effectively, use technology to improve their response, share information and resources more effectively to prevent and detect fraud loss, bring fraudsters to account more quickly and efficiently, and improve the recovery of losses. This strategy is aimed at council leaders, chief executives, finance directors, and all those charged with governance in local authorities.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment, and illustrates the financial benefits that can accrue from fighting fraud more effectively;
- calls upon central government to promote counter fraud activity in local authorities by ensuring that the right financial incentives are in place and helping them break down barriers to improvement, and updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan; and
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

<https://www.gov.uk/government/publications/fighting-fraud-and-corruption-locally-2016-to-2019>

3. Oversight of audit quality: quarterly compliance reports 2015/16, *Public Sector Audit Appointments Ltd*

There are no issues arising highlighted in respect of Mazars LLP in the latest quarterly report (quarter 4 of 2015/2016).

<http://www.psaa.co.uk/audit-quality/principal-audits/mazars-audit-quality/>

04 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: Rivergreen Centre,
Aykley Heads,
Durham,
DH1 5TS.