

Audit progress report

Sunderland City Council

December 2018

Sunderland
City Council

Item No. 8





CONTENTS

- 1. Audit progress**
- 2. National publications**

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1. AUDIT PROGRESS

Purpose of this report

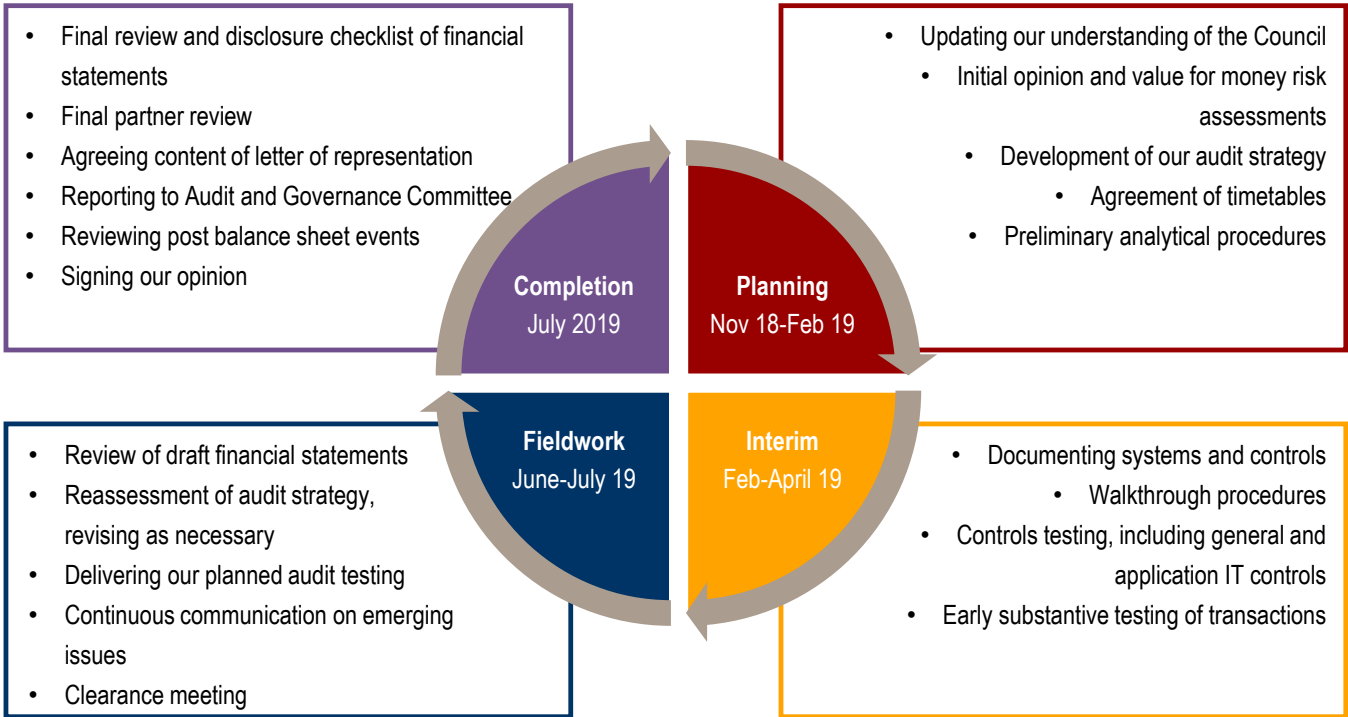
This report provides the Audit and Governance Committee with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

Our key audit stages are summarised in the diagram shown below. Upon completion of our initial planning and risk assessment, we will present our Audit Strategy Memorandum to the Audit and Governance Committee for discussion, early in 2019.

Specific work in this period included the 2017/18 housing benefits subsidy return certification work and other assurance work which is detailed further overleaf.

We are also reviewing Internal Audit against the Public Sector Internal Audit Standards.



1. AUDIT PROGRESS

Housing Benefits Subsidy return 2017/18

In 2017/18 the prescribed tests for our Housing Benefits work were set out in the HBCOUNT module and BEN01 Certification Instructions issued by PSAA. On completion of the specified work we issue a certificate. The certificate states whether the claim has been certified either: without qualification; without qualification following amendment by the Council; or with a qualification letter. Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

Sunderland City Council's 2017/18 Housing Benefits Subsidy return was submitted with a qualification letter as summarised below.

Return	Value	Amended?	Qualification letter?	Commentary
Housing Benefits Subsidy return	£117,923,387	Yes	Yes	We identified two issues reported in our qualification letter as summarised below. <ul style="list-style-type: none">- A software issue that we reported last year which is not yet fully resolved.- Additional testing in respect of an error identified for rent allowances expenditure.

We did not highlight any significant issues for improvement.

We welcome the assistance provided by officers with this work, which enables us to complete our certification work as efficiently and effectively as possible.

Fees – Housing Benefits Subsidy return

PSAA set an indicative fee for our work on the Council's Housing Benefits Subsidy return. We confirm the final fee payable for this work as outlined in the following table below is in line with the indicative fee.

Return	2017/18 fee <i>Indicative</i>	2016/17 fee	2015/16 fee
Housing Benefits Subsidy return	£9,309	£7,725	£9,309

Non-code assurance work

In this period, we have also completed work in respect of two other returns for 2017/18, namely:

- Teachers' Pensions return (fee of £3,850 which is the same as the previous year); and
- Skills Funding Agency (fee of £3,550 which is also the same as the previous year).

Again, we appreciate the assistance provided by officers in enabling us to carry out our work efficiently and effectively

2. NATIONAL PUBLICATIONS

	Publication/update	Key points
Public Sector Audit Appointments Ltd (PSAA)		
1	Report on the results of auditors' work 2017/18: Principal local government and police bodies	This Council met the deadline. Report notes encouraging results across the country.
2	Consultation on 2019/20 scale of fees for opted-in bodies	2019/20 fees proposed to remain the same as 2018/19, being £104,546 for this Council.
3	Oversight of audit quality, quarterly compliance reports	No significant issues
Chartered Institute of Public Finance and Accountancy (CIPFA)		
4	Statement expressing concerns with Councils funding commercial investment through borrowing	CIPFA statement and link to article.

2. NATIONAL PUBLICATIONS

1. Report on the results of auditors' work 2017/18: Principal local government and police bodies, Public Sector Audit Appointments Limited

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 at 495 principal local government and police bodies for 2017/18. For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 87 per cent of audited bodies received an audit opinion by the new deadline.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

All the opinions issued to date in relation to bodies' financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The most common reasons for auditors issuing non-standard conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates – 16 bodies;
- corporate governance issues – 12 bodies;
- financial sustainability concerns – 6 bodies; and
- procurement/contract management issues – 5 bodies.

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

2. Consultation on 2019/20 scale of fees for opted-in bodies, Public Sector Audit Appointments Ltd

Public Sector Audit Appointments (PSAA) has published its consultation on the 2019/20 scale of fees for principal local government bodies that have opted into the appointing person arrangements. The consultation proposes that scale audit fees for 2019/20, the second year of the five-year appointing period, should remain the same as the fees applicable for 2018/19. PSAA will review and update its assumptions and estimates each year, and consult on scale fees for the following year.

<https://www.psaa.co.uk/audit-fees/2019-2020scaleoffees/>

3. Oversight of audit quality, quarterly compliance reports 2017/18 Public Sector Audit Appointments Ltd

There are no significant issues arising in the latest quarterly compliance report issued by PSAA.

<https://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality>

4. Statement expressing concerns with Councils funding commercial investment through borrowing, CIPFA

The Committee may be interested to note the CIPFA statement issued recently expressing concerns around commercial investment. The statement raises concerns with potential practices related to borrowing to fund commercial investment. CIPFA confirm in the statement that they will be issuing further guidance on the issue shortly.

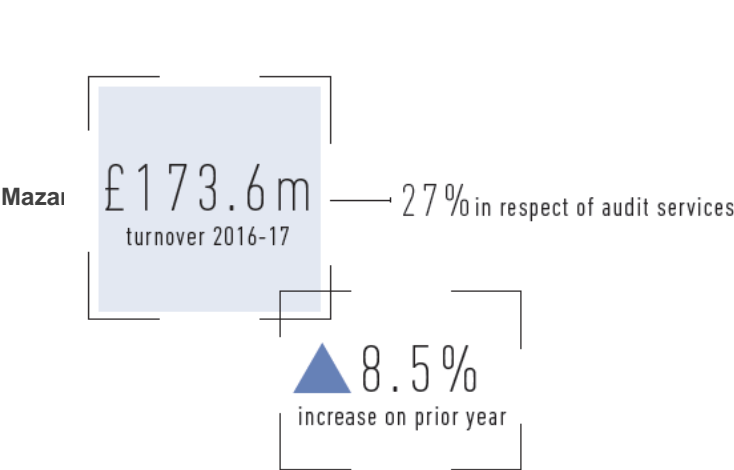
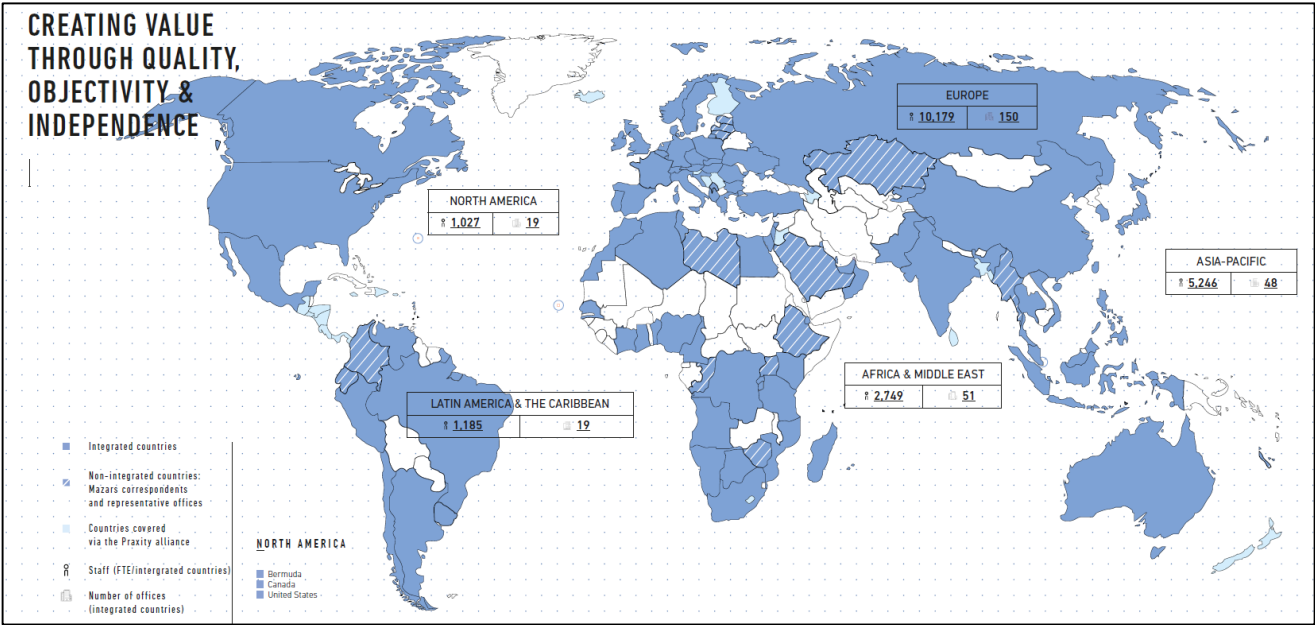
<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/statement-from-cipfa-on-borrowing-in-advance-of-need-and-investments-in-commercial-properties>

<https://www.publicfinance.co.uk/news/2018/10/cipfa-warns-councils-over-serious-commercial-activity-concerns>

MAZARS AT A GLANCE

Mazars LLP

- Fee income €1.5 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand



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