

Audit Progress Report

Sunderland City Council



February 2018



Contents

Audit progress.....	3
National publications and other updates	4
Contact details	7

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Audit progress

Purpose of this report

The purpose of this paper is to provide the Audit and 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 Audit and Governance 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 existing work Mazars does in the public sector.

2017/18 Audit

Our planning work in relation to the 2017/18 audit has continued and we plan to bring our Audit Strategy Memorandum for the 2017/18 audit to the March 2018 meeting of the Audit and Governance Committee.

Public Interest Entity (PIE) Status

One impact on the 2017/18 audit is that the Council has been assessed as a Public Interest Entity (PIE). The reason for this is that the Council has some historic listed debt on the London Stock Exchange. This will require

us to carry out some additional audit procedures and will mean that we will have to include extended reporting in our formal audit report which the Council publishes within its financial statements.

Countdown to GDPR Seminar

We have decided to restructure our North East Governance Forum which has run successfully for the last couple of years. Rather than have two events a year and consider agenda items at the time of each meeting, we are going to run events when there are important topics to discuss.

Our first events under these new arrangements will be in January and February 2018 and will focus on the countdown to the new General Data Protection Regulations (GDPR), and will also include a session on balancing the use of IT as an enabler whilst also managing the risks it poses.

The Council will be represented at this seminar.

Financial Reporting Workshops

We are also running Local Government Financial Reporting workshops for officers involved in the production of the financial statements. These workshops provide an update on the latest developments as well as a forum for our clients to discuss emerging issues. Agenda items include a revisit of 2016/17 issues, early close implications, changes in the 2017/18 Code and a forward look to future regulatory and policy changes. Again, the Council will be represented at this workshop.

National publications and other updates

National publications and other updates	
1.	NAO publication: WannaCry Cyber Attack and the NHS, October 2017
2.	CIPFA Fraud and Corruption Tracker, November 2017
3.	Update on Auditor Appointments from 2018/19, Public Sector Audit Appointments, December 2017
4.	PSAA's Report on the results of auditors' work 2016/17: Local government bodies, December 2017
5.	Secretary of State for Communities and Local Government announces shake-up of the funding formula for local authorities, December 2017

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>

3. 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 Council's external auditor under the new contracts.

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

4. 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.

Sunderland City Council is named in the report as one of 83 principal bodies where audit opinions were issued before 31 July 2017, reflecting the Council'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/>

5. 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=

Contact details

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

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