

Audit Progress Report

Audit and Governance Committee – June 2017



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Audit progress at May 2017

This report provides the Audit and Governance Committee with details on our progress in delivering each of our responsibilities as the Council's appointed external auditors. We outline our main responsibilities in the table below together with an update on the status of our work.

Area of work	Target date	Complete?	Further commentary
Audit planning			
<p>We are required to set out a detailed plan for the delivery of the 2016/17 audit of the Council's financial statements and our Value for Money conclusion.</p> <p>We presented our Audit Strategy Memorandum to the Committee in April.</p>	April 2017	Yes	
Interim audit work			
<p>To support the delivery of an efficient audit, that meets the statutory reporting deadline, we have undertaken early audit testing in a number of areas, including:</p> <ul style="list-style-type: none"> - Payroll expenditure - Non-payroll expenditure - Journals <p>We have also discussed management's proposed accounting treatments to meet the revised presentation requirements in the CIPFA accounting code as part of our regular liaison meetings.</p>	Ongoing	Ongoing	<p>Given the significant presentational changes introduced by the CIPFA accounting code for 2016/17, we have agreed with management that we will provide initial comments on the draft statements when the Council's internal QA arrangements have been completed.</p> <p>We intend to provide initial comments on presentation and disclosure matters to management by mid-June, subject to the timing of draft statements being passed to us.</p>
Audit of the financial statements			
<p>Our audit of the financial statements will be delivered to meet the statutory reporting deadline of the end of September.</p> <p>We intend to commence detailed audit testing on the financial statements in mid-July with the aim of completing the bulk of our work by the end of August.</p>	September	Not commenced	<p>We have agreed a list of suggested working papers to be provided by management that will support the delivery of an efficient audit and assist us in:</p> <ul style="list-style-type: none"> - Meeting the statutory reporting deadline - Minimising the amount of officer time required to respond to audit queries, as far as is possible

Area of work	Target date	Complete?	Further commentary
<p>We will present our Audit Completion Report, which outlines the results of our work on the Council's financial statements, at the September Committee meeting.</p>			
<p>Value for Money conclusion</p> <p>The work required on significant risks to our conclusion, as outlined in the Audit Strategy Memorandum, is ongoing.</p> <p>We will present our Audit Completion Report, which outlines the results of our Value for Money conclusion, at the September Committee meeting.</p>	<p>September</p>	<p>Ongoing</p>	
<p>Housing Benefit Subsidy certification</p> <p>We have held initial meetings with officers to discuss the nature and timing of the work required for the certification of the Council's Housing Benefit Subsidy return.</p> <p>We will report the findings from this work, and any other assurance work that we undertake for the year, as part of our Certification and Assurance Report. We anticipate presenting this to the Committee in late 2017.</p>	<p>November</p>	<p>Not commenced</p>	<p>Further information on future arrangements for the delivery of this work is provided later in this report.</p>
<p>Annual Audit Letter</p> <p>The National Audit Office Code of Audit Practice requires us to provide a summary of the work we have undertaken for the year, as soon as practicable after issuing our certificate to close the audit. We do this by issuing our Annual Audit Letter.</p> <p>We plan to issue the Annual Audit Letter for 2016/17 in October 2017.</p>	<p>October</p>	<p>Not commenced</p>	<p>The Annual Audit Letter, while addressed to the members of the Council, is designed to be a public-facing document within which we outline matters that we wish to bring to the public's attention.</p>
<p>Fee letter for 2017/18</p> <p>We are required to write to the Council's Chief Executive, to outline our proposed fees for our work under the NAO Code of Audit Practice and to certify the Housing Benefit Subsidy return.</p>	<p>April</p>	<p>Yes</p>	<p>We wrote to the Chief Executive confirming that we propose to charge fees for work to be delivered in 2017/18, in line with the scale fees set by Public Sector Audit Appointments Ltd.</p>

Technical update

Accounting for the Highways Network Asset – Update

In our April progress report, we told members that the CIPFA / LASAAC Code Board had decided not to proceed with the intended change in measurement basis for the Council's Highways Network Asset (e.g. carriageways, footways, traffic management systems, highways land, and street furniture).

The change, that officers and auditors have been working hard to implement for 2016/17, would have seen these assets measured on the basis of their depreciated replacement cost as opposed to their historic cost. This significant change would have led to revaluation gains running into billions of pounds.

We will continue to keep the situation under review and will contribute to national discussions on any future decisions to implement the planned changes. We will also ensure that Council officers are kept aware of developments in this area.

Code of Practice on Local Authority Accounting ('the Code')

As a result of the decision not to implement the change to Highways Network Asset, the CIPFA / LASAAC Code Board issued an update to the Code. The only substantive change introduced by the update was to remove provisions relating to the change in measurement basis for the Highways Network Asset.

In addition, CIPFA's Local Authority Accounting Panel has issued Bulletin 105 which covers issues to consider as part of the preparation of the 2016/17 financial statements. We have discussed these issues with management as well as providing a briefing on emerging accounting issues as part of our financial reporting workshops, attended by officers in February.

Housing Benefit Subsidy assurance arrangements

Our work on the Council's Housing Benefit Subsidy return currently forms part of our responsibilities under our contract with Public Sector Audit Appointments Ltd (PSAA). Our work on the 2017/18 subsidy return will be the last time the work is carried out under this regime.

For the 2018/19 subsidy return, this work will no longer be carried out as part of the appointed auditor's responsibilities. As such, the Council will need to make arrangements to appoint a 'reporting accountant' to provide assurance over the accuracy of the return to it and the Department for Work and Pensions (DWP).

We have been working with the DWP to assist in the design of the new assurance framework and will issue a briefing to officers on the new approach when it is finalised in June.

National reports and other updates

Public Accounts Committee – Report on Health and Social Care Integration

Following-on from the report published by the NAO, on which we briefed members in April, the Public Accounts Committee has recently issued its [report on health and social care integration](#). Its primary conclusions were that:

- The Department of Health and Department of Communities and Local Government do not know what is the most effective balance of limited funding across health and social care;
- The Better Care Fund (BCF) has been used as a means of moving resources from the health sector to social care; and
- The BCF has been rendered redundant as a means of building integration as a result of the introduction of sustainability and transformation plans, and that these plans are neither transparent nor inclusive enough.

National Audit Office – Report on 100% business rates retention

The NAO has recently published a report on [planning for 100% local retention of business rates](#). The report finds that DCLG has made good progress in designing the scheme but the scale of the remaining challenges presents clear risks both to the timely delivery of the initiative and to the achievement of its overall objectives.

The report also highlights the risk that the pressure to deliver by 2019/20 could result in a scheme that has not been fully tested, and stresses the need for DCLG to assure itself that the scheme will deliver its core policy objectives and that these are not overlooked among the technical challenges of designing the scheme to a tight timetable.

Local Audit (Public Access to Documents) Act 2017

The Local Audit (Public Access to Documents) Act 2017 received royal assent in April 2017. The Act extends rights of inspection under section 26 of the Local Audit and Accountability Act 2014 to include journalists and citizen journalists.

The Act defines a journalist as ‘any person who produces for publication journalistic material (whether paid to do so or otherwise).’ While the Act extends rights of inspection, there are no changes in respect of our powers and duties under the Local Audit and Accountability Act 2014. The ability to ask the auditor questions about the accounts, and to make an objection at audit, continue to be restricted to local government electors only.

For any further information on any of the points in this report, please contact one of your audit engagement team:

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