

Audit Progress Report

Selby District Council

January 2021



1. Audit Progress
2. National Publications

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Section 01:
Audit Progress

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

Since the last Committee meeting we have:

- completed our work on the 2019/20 financial statements, and issued an unqualified opinion;
- issued our 'follow-up letter' which concluded on all the areas of outstanding work at the time of the October 2020 Audit and Governance Committee; and
- issued our Annual Audit Letter (separate agenda item at this meeting).

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Section 02:

National Publications

National Publications

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NATIONAL PUBLICATIONS

CIPFA

1. Combating Financial Crime: Practical Advice for the Public Sector, September 2020

The latest UK Annual Fraud Indicator figures show that £40bn is lost to fraud. Moreover, the UK Government recognises that “tens of billions” of pounds are lost to money laundering.

While public authorities are not legally obliged to apply the provisions of money laundering regulations, it is recommended that they employ policies and procedures to deal with the growing threat of terrorist financing, money laundering and other financial crimes.

CIPFA have expanded their guide to explore the different financial crime types, their impact on public authorities in the UK and globally and the relevant legislative environment. This updated edition includes such customer due diligence procedures as checking the controls of onboarding new vendors, including determining the ultimate beneficial owner of a company. The guidance also covers the implications of financial crime for leadership teams of public authorities, providing practical advice and highlighting the recommendation of nominating a money laundering reporting officer.

<https://www.cipfa.org/policy-and-guidance/publications/c/combating-financial-crime-further-guidance-on-antimoney-laundering-for-public-service-organisations-2020-edition>

NATIONAL PUBLICATIONS

NATIONAL AUDIT OFFICE

2. Investigation into the Bounce Back Loan Scheme, October 2020

NAO has published its report on the Investigation into the Bounce Back Loan Scheme. This report is one of a series of NAO reports that looks at the Government's response to the COVID-19 pandemic. The report focuses on this particular Scheme, as it is the largest and most risky business loan support scheme. It also sets out:

- the Scheme development, aims, and management;
- the details of the Scheme and its performance to date; and
- the main Scheme risks.

Some of the key findings from the report include:

- The Department for Business Energy & Industrial Strategy (BEIS) and the British Business Bank (the Bank) expect the Scheme to have lent between £38 billion to £48 billion by 4 November 2020, substantially more than it initially expected.
- As of 7 September, around 90% of the loans went to very small (micro) businesses located across the UK. Micro businesses (with turnover less than £632,000) received £29 billion and sole traders received £6 billion.
- The Bank was not able to prevent duplicate applications across lenders in the first month of the scheme.
- BEIS estimates that offering the loans interest-free for the first year will cost around £1 billion.
- The preliminary assessment is that the administrative costs of the three COVID-19 business loan support schemes will be £75 million by the end of 2024/25.
- The Government recognises that the decision to provide funds quickly leaves taxpayers exposed to a significant residual fraud risk, even after lenders have implemented mitigation strategies.

The report concludes that the Government moved very quickly to set up the scheme once it had decided to support small businesses facing cashflow problems due to the pandemic. The Government prioritised one aspect of value for money (payment speed) over almost all others and has been prepared to tolerate a potentially high level of losses as a result. The report also notes that systems and processes have evolved since the Scheme's launch but much hard work remains over the coming months and years to ensure that the risks to value for money are minimised..

<https://www.nao.org.uk/wp-content/uploads/2020/10/Investigation-into-the-Bounce-Back-Loan-Scheme.pdf>

NATIONAL PUBLICATIONS

MHCLG

3a. Redmond Review, September 2020

This independent review, led by Sir Tony Redmond at the invitation of the Ministry of Housing, Communities and Local Government, considered the effectiveness of external audit and transparency of financial reporting in local authorities.

Mazars welcomes the publication of Sir Tony Redmond's Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting. This report covers local audit regulation, procurement, auditor performance, governance, the scope of audit work and local authority financial reporting.

As a firm committed to working with public services and the communities they serve, we see this important report as an opportunity to strengthen the arrangements for local audit, thus improving confidence and transparency in public finances.

We're pleased to see the Review recognise the complexity and importance of public audit and that all parties – including external auditors, regulators, standard setters, local authorities and audit committees – have a role to play in its development and sustainability.

Amongst the recommendations arising from the Review are:

- the creation of the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Audit Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The recommendations and findings will now be considered by the Secretary of State for Local Government.

Alongside the report, MHCLG have published a number of annexes.

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

NATIONAL PUBLICATIONS

MHCLG

3b. Redmond Review – MHCLG Response, December 2020

The Ministry of Housing, Communities and Local Government published its response to the Redmond Review in December 2020. The MHCL response forms part of the department's post-legislative scrutiny assessments of parts 1 to 5 of the Local Audit and Accountability Act 2014.

The Redmond Review made 23 recommendations relating to the quality, timeliness and sustainability of local audit, and the transparency of local authority accounts. MHCLG has grouped its response into 5 themes:

- a. Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)
- b. Consideration of system leadership options (recommendations 1, 2, 3, 7, 13, 17)
- c. Enhancing the functioning of local audit, and the governance for responding to its findings (recommendations 4, 9, 12, 18)
- d. Improving transparency of local authorities' accounts to the public (recommendations 19, 20, 21, 22)
- e. Action to further consider the functioning of local audit for smaller bodies (recommendations 14, 15, 16, 23)

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-government-response-to-the-redmond-review/local-authority-financial-reporting-and-external-audit-government-response-to-the-independent-review>

NATIONAL PUBLICATIONS

HM Treasury

4. Public Service Pensions: Guaranteed Minimum Pension Indexation Consultation, October 2020

HM Treasury (HMT) has published its consultation on the Guaranteed Minimum Pension (GMP) Indexation for public service pensions. The Government is seeking views on how it proposes to ensure it continues to meet past commitments to public service employees regarding the full indexation of public service pensions, including any GMP element.

The options set out by HMT in the consultation document are:

Option 1a – the extension of full indexation to cover those reaching State Pension age up to and including 5 April 2024;

Option 1b – the extension of the interim solution to cover those reaching State Pension age beyond 5 April 2024; and

Option 2 – discount conversion as a long-term policy solution and make full GMP indexation the permanent solution for public service pension schemes.

The proposals will affect serving and former public sector employees from major workforces including; local government, the NHS, the police force and fire and rescue services.

The consultation closes on 30 December 2020 and the detailed publication including how to respond is available from the link below.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/924807/02.10.2020_GMP_indexation_consultation_final.pdf

NATIONAL PUBLICATIONS

Government actuary's department

5. Report on the impact of COVID-19 on public sector insurance, October 2020

The Government Actuary's Department (GAD) has published its report on The impact of COVID-19 on public sector insurance.

The report notes that many public sector bodies, including local government, rely on commercial insurance to manage their risks. To investigate the impact of COVID-19 on the public sector's insurance risks, GAD conducted a short survey in July and August 2020, the aim of which was to understand the experiences of public sector bodies and share insights from these organisations to help them make sense of the changing insurance market. Respondents included local authorities, fire and police bodies.

GAD reported that the immediate impact varied considerably depending on the type of authority and mix of risks, with the outlook being gloomier and majority of respondents expecting their costs to increase in the medium term. The report also sets out the steps that authorities are taking to manage their costs..

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/921932/COVID-19_Insurance_Report.pdf

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