



External Audit progress report

Selby District Council

January 2019





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This document is to be regarded as confidential to the Selby District Council. It has been prepared for the sole use of the Audit and Governance Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. AUDIT PROGRESS

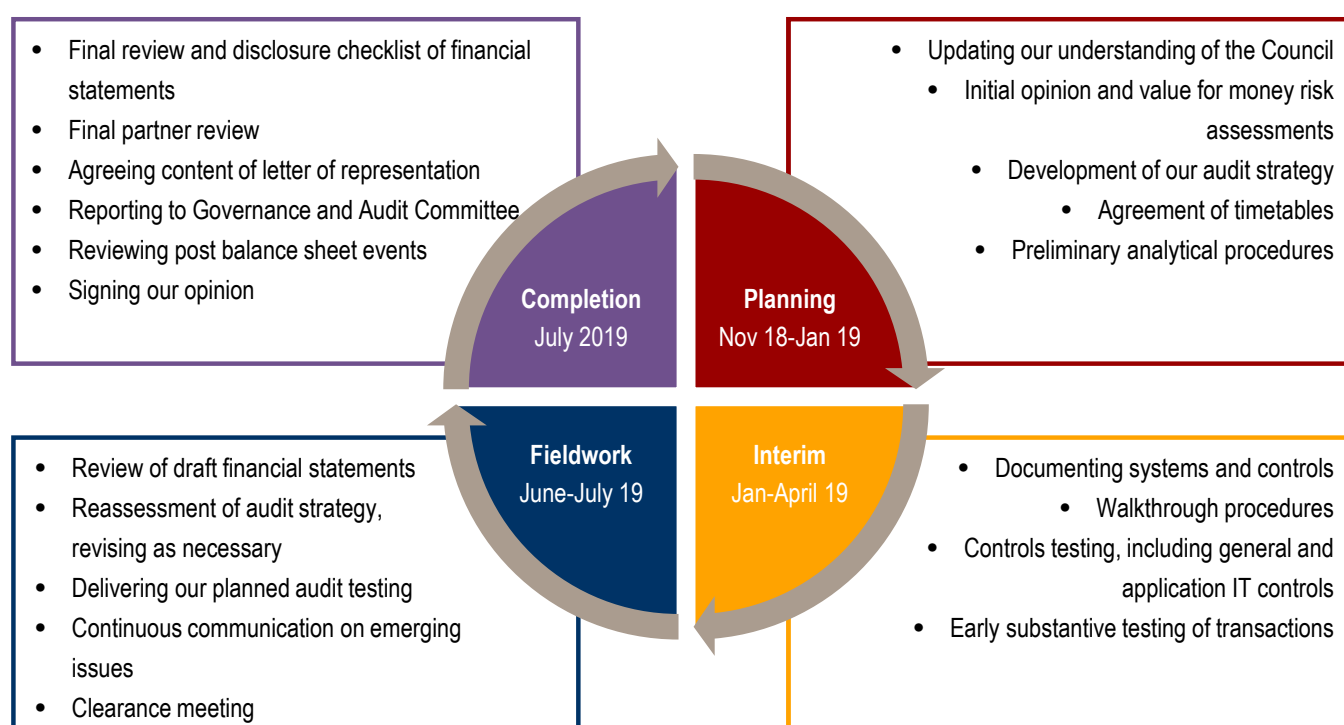
Purpose of this report

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

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 Governance and Audit Committee for discussion. This will set out the significant risks we have identified for the audit, for both the opinion on the statement of accounts and the value for money conclusion, and our approach to the audit.

There are no significant matters arising from our work that we are required to report to you at this stage.



Financial Reporting Workshops

Planning of our Local Government Financial Reporting workshops for early in the New Year is well advanced. These workshops provide an update on the latest developments as well as a forum for our clients to discuss emerging issues. Agenda items will include a revisit of 2017/18 issues including early close implications, changes in the 2018/19 Code and a forward look to future regulatory and policy changes. The Leeds event is on Wednesday 30th January 2019 at our new Leeds Office at Wellington Place and we have invited relevant officers from the Council.

1. AUDIT PROGRESS (CONTINUED)

Certification of claims and returns

As the Council's appointed auditor, we acted as an agent of Public Sector Audit Appointments (PSAA) who were responsible for making certification arrangements for specified claims and returns for 2017/18 and the only claim or return within this regime was the Housing Benefit Subsidy Return.

The prescribed tests for our housing benefits work were set out in the HBCOUNT module and BEN01 Certification Instructions issued by PSAA. For the Housing Benefit Subsidy Return, 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 a local authority, the grant paying body may withhold or claw-back grant funding.

The 2017/18 Housing benefits return was amended and was subject to a qualification letter. Detailed findings, including the extrapolation of errors identified, were reported in our qualification letter to the Department for Work and Pensions (DWP) dated 29 November 2018. The table below details our findings.

Claim or return	Value of claim or return	Amended	Qualified
Housing benefit subsidy	£14,973,513	Reduction of £6k arising from reconciliation adjustments identified by officers which had not been completed when the original claim was submitted.	<p>There were two reporting issues.</p> <p>We identified 3 errors in a sample of 60 cases for rent rebates where benefit had been incorrectly paid as a result of the Council miscalculating the claimants average weekly income. These cases resulted in an overstatement of £117.17. If extrapolated across the population, subsidy would have been overstated by £1,025.</p> <p>We identified 6 errors in a sample of 60 cases for rent allowances where benefit had been incorrectly paid as a result of the Council miscalculating claimants' average weekly income. These cases all resulted in understatements and, as such, no amendments or extrapolations were required.</p>

Although continued attention needs to be given to the accuracy of benefits processing, we did not make any formal recommendations or 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.

1. AUDIT PROGRESS (CONTINUED)

Certification Fees

PSAA set an indicative fee for our work on the Council's Housing Benefit Subsidy Return. This indicative fee, and the final fee charged for 2017/18 is detailed in the table below:

Claim or return	2017/18 indicative fee	2017/18 final fee	2016/17 final fee
Housing benefit subsidy	£13,450 + VAT	£13,450 + VAT	£10,628 + VAT

2. REQUEST FOR INFORMATION

International Auditing Standards require auditors to enquire about arrangements the entity has put in place:

- to prevent and detect fraud; and
- to comply with applicable law and regulations.

Our request also covers the appropriateness of the going concern assumption.

We list our questions below and would be grateful if the Committee could provide a response by 31 March 2019. Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work we need to undertake.

1. How do you exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error;
- identifying and responding to risks of fraud in the Trust, please detail any specific risks of fraud which management have identified, and classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- communicating to employees its view on business practice and ethical behaviour; and
- communicating to you the processes for identifying and responding to fraud or error.

2. How do you oversee management processes for identifying and responding to possible breaches of internal control? Are you aware of any significant breaches of internal control during 2018/19?

3. How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of significant non-compliance during 2018/19?

4. Are you aware of any actual or potential litigation or claims that would affect the financial statements?

5. Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern?

2. NATIONAL PUBLICATIONS

	Publication / update
National Audit Office (NAO)	
1.	Adult social care at a glance
2.	Financial sustainability of local authorities 2018 visualisation
Chartered Institute of Public Finance and Accountancy (CIPFA)	
3.	Code of Practice on Local Authority Accounting / supporting guidance notes for practitioners – 2018/19 Accounts
4.	Implementation date for IFRS 16 Leases

1. Adult social care at a glance, NAO, July 2018

This overview updates the report 'Adult social care in England: an overview (2014)', highlighting key trends, developments and system pressures. This report includes a diagram setting out the interaction of local authority and health services amongst others.

Adult social care covers social work, personal care and practical support for adults with a physical disability, a learning disability, or physical or mental illness, as well as support for their carers. The overview summarises access to and also types of adult social care, accountability, developments in the sector since 2014, spending on social care, the needs, outcomes and market for care. The overview also summarises the various reports issued by the NAO on specific programmes and issues relating to adult social care.

<https://www.nao.org.uk/report/adult-social-care-at-a-glance/>

2. Financial sustainability of local authorities 2018 visualisation, NAO, November 2018

The NAO have published interactive visualisations that describe the changes in local authorities' financial circumstances from 2010/11 to 2016/17.

The data presented shows changes in income and spending along with an analysis of factors such as budget overspends and use of reserves. These figures vary for a range of reasons such as local political priorities, changes in local demand and changes in government policy and priorities. The report warns that any comparison between places need to be undertaken with caution. The complexity of factors underlying the data means that differences in figures presented should not be viewed as indicative of the current 'performance' of an authority. Any differences between authorities is an opportunity to ask further questions to gain a better understanding of what is happening locally.

Councils can use these visualisations to explore the broad trends identified in the NAO report Financial sustainability of local authorities 2018 (July 2018) in order to increase their understanding of individual local authorities.

<https://www.nao.org.uk/highlights/financial-sustainability-of-local-authorities-2018-visualisation/>

2. NATIONAL PUBLICATIONS

3. Code of Practice on Local Authority Accounting in the United Kingdom and supporting guidance notes for practitioners for the 2018-19 Accounts, CIPFA, December 2018

CIPFA has published the Code of Practice on Local Authority Accounting in the United Kingdom and supporting guidance notes for practitioners for the 2018/19 Accounts. The guidance notes detail key accounting changes introduced by the 2018/19 accounting code and provide practical support for the preparation of the year-end accounts.

Other recent and related publications from CIPFA which councils may wish to be aware of include:

- Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2018/19 Accounts;
- Service Reporting Code of Practice for Local Authorities 2019/20;
- The Prudential Code for Capital Finance in Local Authorities: Guidance Notes for Practitioners (2018 edition);
- Treasury Management in the Public Services: Guidance Notes for Local Authorities including Police and Fire Authorities (2018); and
- LGPS Fund Accounts 2018/19: Example Accounts and Disclosure Checklist.

<https://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

4. Implementation date for IFRS 16 Leases, CIPFA, December 2018

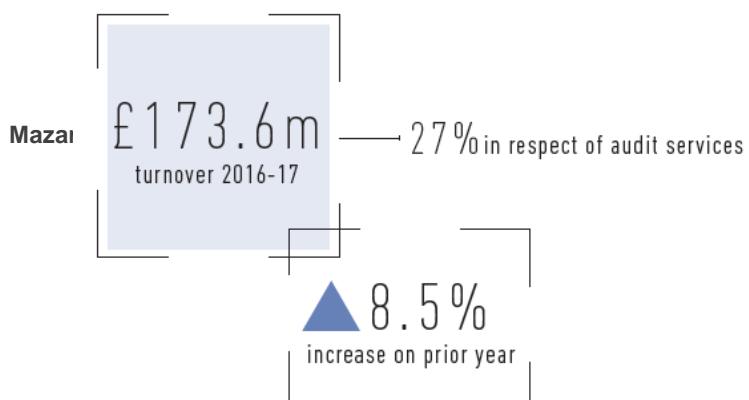
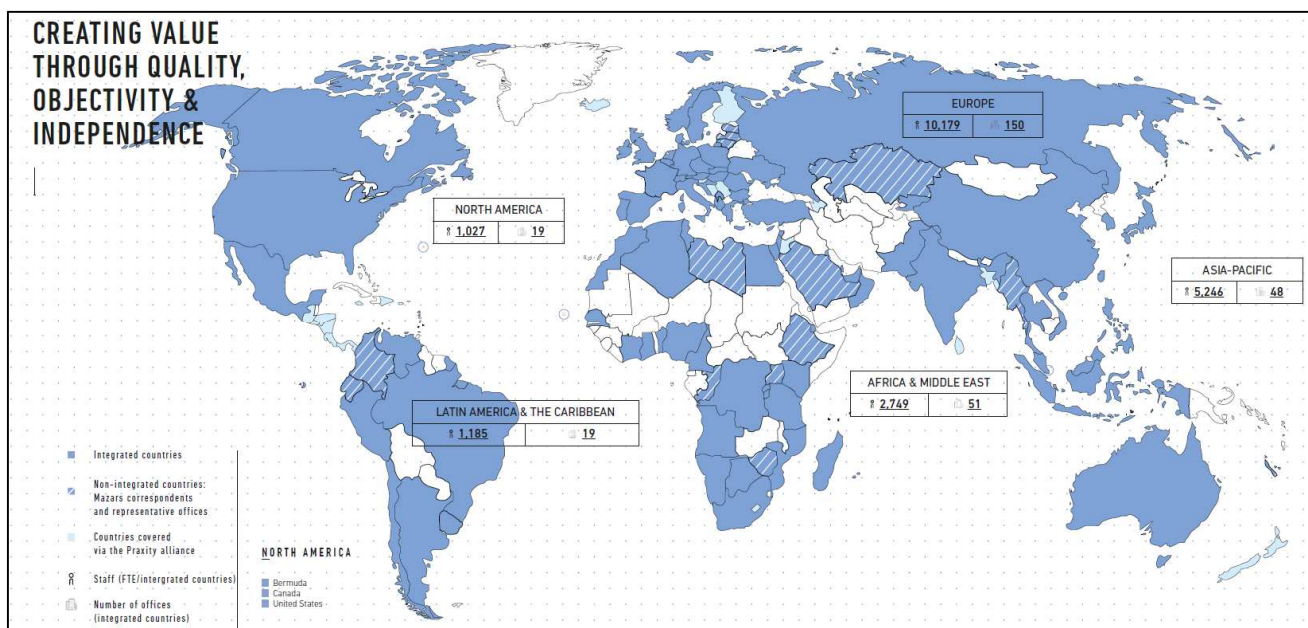
The Council should be aware of this statement from the CIPFA/LASAAC Code board on the implementation date of IFRS 16 Leases. CIPFA/LASAAC have confirmed that the effective date of implementation in the Code has been deferred for one year only to 1 April 2020, for alignment with the wider public sector.

<https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board>

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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