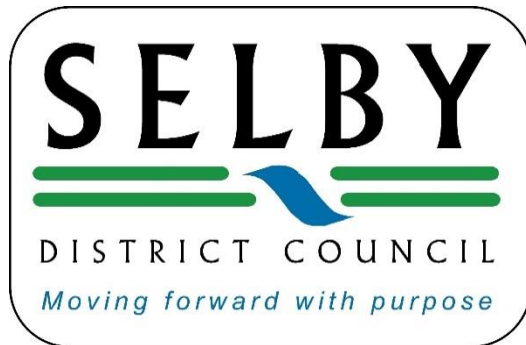


Audit Progress Report

Selby District Council



January 2018



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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 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.

2016/17 audit

In our September Audit Progress Report, we confirmed that the main audit, including the Annual Audit Letter had been completed.

Certification of claims and returns

Work on the 2016/17 Housing Benefits Subsidy Claim is complete, and we certified the claim before the Department of Work and Pensions deadline of 30 November 2017.

This is now the only claim remaining part of the national arrangements managed by Public Sector Audit Appointments Ltd (PSAA), successor to the Audit Commission. As the Council's appointed auditor, we acted as an agent of PSAA. Each year auditors must report the results of our

certification work to those charged with governance. For 2016/17 the only claim or return within this regime was the Housing benefit subsidy return.

Housing Benefits Subsidy return 2016/17

In 2016/17 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 return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

The Council's 2016/17 Return was submitted with a qualification letter (and with amendment) as set out in the following table.

Claim or return	Value of claim	Amended	Qualified
Housing Benefit Subsidy Return 2016/17	£15.6m	Reduction of £5k arising from reconciliation adjustments identified by officers which had not been completed when the original claim was submitted.	There was one reporting issue. We identified two errors in a sample of 60 rent allowance cases where the claimant's income had been incorrectly assessed. In one of these cases there had been an overpayment of subsidy of £82. If extrapolated to the population subsidy of just under £2k would have been over claimed.

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.

Fees

PSAA set an indicative fee for our work on the Council's Housing benefit subsidy return. We confirm that the final fee payable for this work as outlined in the following table below is in line with the indicative fee. The following fee was charged for the 2016/17 work.

Claim or return	2016/17 indicative fee	2016/17 final fee	2015/16 final fee
Housing Benefit Subsidy Return 2016/17	£10,628 + VAT	£10,628 + VAT	£13,450 + VAT

Clarification of certification fees for the 2017/18 Audit

In April 2017 we wrote to the Council setting out the proposed scale fees for 2017/18 as published by PSAA. At that date, PSAA had not yet published indicative fees for the housing benefit certification work for 2017/18. PSAA have subsequently clarified the scale fee for 2017/18 as £13,450 + VAT, a return to the fee level set for 2015/16.

2017/18 Audit

Our planning work in relation to the 2017/18 audit is now underway.

We plan to bring our Audit Strategy Memorandum for the 2017/18 audit to the April 2018 meeting of the Audit and Governance Committee.

Countdown to GDPR Seminar

We have decided to restructure our North Yorkshire 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:

- Wednesday 31 January 2018 at the Mercure York Fairfield Manor Hotel, just outside of York; and
- Wednesday 7 February 2018 at Durham County Cricket Club, Chester-le-Street.

The events are free of charge, although we may have to limit numbers to two or three people per authority depending on take up.

Invitations have been sent out in December. If any other officers or Members wish to attend, please e-mail Durham.Admin@mazars.co.uk with your request.

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 will 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. The Leeds event is on Wednesday 7 February 2018 and we have invited relevant officers from the Council.

National publications and other updates

National publications and other updates	
1.	A short guide to Local Authorities, National Audit Office, October 2017
2.	Update on Auditor Appointments from 2018/19, Public Sector Audit Appointments, October 2017 – Further Update December 2017
3.	Care Quality Commission regulating health and social care, National Audit Office, October 2017
4.	NAO publication: WannaCry Cyber Attack and the NHS, October 2017
5.	CIPFA Fraud and Corruption Tracker, November 2017
6.	PSAA is consulting on the fee scale for 2018/19 audits of opted-in bodies, December 2017
7.	PSAA's Report on the results of auditors' work 2016/17: Local government bodies, December 2017
8.	Secretary of State for Communities and Local Government announces shake-up of the funding formula for local authorities, December 2017

1. A short guide to Local Authorities, National Audit Office, October 2017

The NAO is publishing a suite of short guides for the new Parliament, one for each government department and a selection of cross-government issues. The guide gives an overview of how local government is funded, the pressures local authorities face, staffing, major recent developments and what to look out for in the main local authority services.

For example, the guide highlights 39% of the 2015/16 local authorities budgeted non-schools expenditure (£16.8 billion) was allocated to adult social care. The guide also highlights key challenges to accountability in local government.

<https://www.nao.org.uk/report/short-guide-to-local-authorities/>

2. Update on Auditor Appointments from 2018/19, Public Sector Audit Appointments, October 2017

The consultation on the proposed auditor appointments from 2018/19 closed on 22 September. PSAA received 442 responses from opted-in bodies confirming acceptance of the proposed appointment. A response was not received from 34 bodies and PSAA has written to those bodies to say that they have assumed they accept the firm proposed. PSAA received 7 representations to proposed appointments for reasons of joint working relevant to the auditor's responsibilities, independence issues with the proposed auditor, or concerns about service from the proposed firm. In these cases, PSAA are now consulting on alternative proposed appointments where appropriate.

<https://www.psa.co.uk/2017/10/news-release-update-on-auditor-appointments-from-201819/>

Further Update 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.

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

3. Care Quality Commission regulating health and social care, National Audit Office, October 2017

The Care Quality Commission has improved as an organisation, but now needs to overcome some persistent issues with the timeliness of some of its regulation activities if it is to sustain further improvement, the National Audit Office (NAO) has found.

The report found that the Commission has completed its inspection and rating programme comprising more than 28,000 provider locations, which provides a benchmark of the quality of health and social care services. It has significantly reduced staff vacancies and is increasing its focus on cost savings. In addition, the Commission has improved how it measures its performance, and takes action to correct poor performance.

Inspection staff, however, highlighted concerns to the NAO about how well the broader information systems currently supported them. The NAO also found that Commission does not meet its timeliness targets for some of its regulation activities, such as registration and publication of inspection reports.

According to the NAO, although most providers and inspectors think that the Commission's judgements are fair, stakeholders have concerns about consistency. The Commission is seeking to address consistency issues through its quality assurance processes and training.

The Commission is taking more enforcement action when care falls below fundamental standards, and there is evidence that it influences providers to improve quality, with most of the providers rated either inadequate or requires improvement having improved their rating on re-inspection. The number of completed enforcement actions increased over 2015/16 and 2016/17, while the number of providers entering special measures remained steady. The Commission links the increase with a focus on improving its inspectors' skills and knowledge about enforcement. Poor recording, however, means the Commission cannot be assured that enforcement action is always completed.

The Commission made progress in implementing its new strategy during 2016/17 although it missed early milestones on rolling out use of resources assessments and designing its approach to the next phase of inspection.

<https://www.nao.org.uk/report/care-quality-commission-regulating-health-and-social-care/>

4. 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/>

5. 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>

6. PSAA is consulting on the fee scale for 2018/19 audits of opted-in bodies, December 2017

The consultation sets out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2018/19 financial statement at bodies that have opted into PSAA's national auditor appointment scheme.

PSAA propose that scale audit fees for 2018/19 should reduce by 23 per cent, compared to the fees applicable for 2017/18. This reduction is possible as a result of the favourable prices secured from audit firms in the recent audit services procurement. It follows a period from 2012/13 to 2017/18 in which scale fees reduced significantly by an aggregate of 55 per cent.

The proposed audit fee for Selby District Council for the 2018/19 audit is £34,425 (compared to £44,708 for the 2017/18 audit).

<https://www.psa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/>

7. 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.

Selby District 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.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

8. 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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