



# Audit progress report

## Stockton-on-Tees Borough Council

November 2019





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# 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 auditors.

## Audit progress

This is our first progress report in respect of the 2019/20 audit year.

Since the Committee last met we have continued with our regular meetings with senior management and review of agenda papers and minutes, to inform our risk assessments for our 2019/20 audit.

We will present our Audit Strategy Memorandum to the Committee for discussion at its next meeting.

Our planning work is on track, and there are no significant matters arising from our work that we are required to report to you at this stage.

## Certification of claims and returns

As members will be aware, the Council is required by funding bodies to arrange independent certification of a range of grant claims and returns.

Work on claims and returns since our last update includes:

- 2018/19 Teachers Pension Return; we agreed an engagement pack with management, the fee being £4,000 plus VAT, and our work was undertaken in October and November 2019. We issued our report on 5 November 2019, ahead of the DWP deadline of 30 November 2019. There are no significant issues arising from the work to bring to your attention.

Our work on the Council's Housing Benefit Subsidy claim is on track and we expect to certify the claim by the DWP deadline of 30 November 2019. We will report findings from this work to the Committee at its next meeting.

## 2. NATIONAL PUBLICATIONS

	Publication/update	Key points
1.	<b>New Code of Audit Practice 2020/21 – Consultation</b>	Consultation process underway for the new Code of Audit Practice that will apply for 2020/21 audits. Closes on 22 November 2019.
2.	<b>Review of local authority financial reporting and external audit</b>	Announcement of a wide ranging review of financial reporting and external audit in the sector.
3.	<b>The government’s response to the report on Local Government Finance and the 2019 Spending Review</b>	Includes consideration of the need to review local government audit (which is due to report by the end of 2019).
4.	<b>A Councillor’s guide to procurement, 2019 edition, Local Government Association (LGA)</b>	Includes a toolkit.
5.	<b>Reaching out, LGA</b>	Loneliness policy context and consideration of effective local delivery models.
6.	<b>A councillor’s guide to digital connectivity, LGA</b>	Key information for councillors.

### 1. New Code of Audit Practice 2020/21 – Consultation, September 2019

Schedule 6 of the Local Audit & Accountability Act 2014 requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

The consultation is taking place in two stages. The first has concluded and the second is currently underway with a deadline for responses of 22 November 2019. The NAO plans to finalise the Code by the end of 2019, ready to be laid in Parliament early in 2020. The new Code will apply from audits of local bodies’ 2020/21 financial statements onwards.

The first stage of the consultation showed broad support for maintaining the principles-based nature of the Code, being the wider scope of public audit, independence and public reporting. However the responses highlighted that this should be supported by more detailed sector-specific guidance.

The second stage of the consultation is focusing on the text of the draft Code. In particular there are proposed changes to the way auditors report on arrangements to deliver value for money in the use of resources.

The Local Audit & Accountability Act 2014 places a specific duty on the local auditor to be satisfied whether the body they are auditing has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. In the current Code, this is referred to as work on arrangements to secure value for money.

Currently, the local auditor reports against a single overall criterion as to whether: “In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.” This is known as the value for money conclusion and is included in the Auditor Report included in Council’s financial statements.

The consultation draft Code proposes changes to this reporting, with a more detailed commentary on the value for money arrangements being included in a new ‘Auditor’s Annual Report’.

Should the Council wish to respond to the consultation, the details are provided in the link below.

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/#>

## 2. NATIONAL PUBLICATIONS

### 2. Review of local authority financial reporting and external audit, September 2019

The Ministry of Housing, Communities and Local Government announced in September that they had appointed Sir Tony Redmond to conduct a review of the arrangements in place to support the transparency and quality of local authority financial reporting and external audit including those introduced by the Local Audit and Accountability Act 2014. The review will not look at broader issues of local authority finances and sustainability.

The review will examine the existing purpose, scope and quality of statutory audits of local authorities in England and the supporting regulatory framework to in order to determine:

- Whether the audit and related regulatory framework for local authorities in England is operating in line with the policy intent set out in the Act and the related impact assessment;
- Whether the reforms have improved the effectiveness of the control and governance framework along with the transparency of financial information presented by councils;
- Whether the current statutory framework for local authority financial reporting supports the transparent disclosure of financial performance and enables users of the accounts to hold local authorities to account; and
- To make recommendations on how far the process, products and framework may need to improve and evolve to meet the needs of local residents and local taxpayers, and the wider public interest.

As part of the review, MHCLG have issued a “Call for Views” which is linked below, along with the review’s terms of reference.

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

<https://www.gov.uk/government/consultations/review-of-local-authority-financial-reporting-and-external-audit-call-for-views>

### 3. The government’s response to the report on Local Government Finance and the 2019 Spending Review, October 2019

The government has responded to the Housing, Communities and Local Government Select Committee report on Local Government Finance and the 2019 Spending Review. In the report, the government covers the decision to undertake a review of local government audit. The government also responds to several other recommendations from the Select Committee’s original report, including:

- developing a more consistent approach to the collection and monitoring of comparative data about councils’ performance, efficiency and financial sustainability;
- the need for MHCLG, working with HM Treasury and other departments, to clearly set out what tasks are expected of local government and how much funding it requires;
- the need for increased adult social care funding;
- the need for MHCLG and HM Treasury to provide a multi-year settlement for local government which runs for one year beyond the Spending Review period – similar to the approach that is currently used for Departmental capital budgets; and
- the need for reforms and substantial changes to the business rate retention system.

<https://www.gov.uk/government/publications/local-government-finance-and-the-2019-spending-review-response-to-the-select-committee-report>

### 4. A Councillor’s guide to procurement, 2019 edition, Local Government Association

The LGA worked closely with councils to develop the National Procurement Strategy 2018 and a toolkit that enables councils to set their own objectives and measure their own progress. The National Procurement Strategy puts the councillor role front and centre and this guide has been produced specifically with councillors in mind. It looks at the roles councillor’s play – both executive members and those engaged in overview and scrutiny work – and provides hints and tips on how to get the best out of procurement and contract management. Just as in the national strategy, the focus is on delivering the council’s objectives. Councillors do not need to be procurement professionals. But they do need to be able to ask the right questions and that is where this guide comes in.

<https://www.local.gov.uk/councillors-guide-procurement-2019-edition>

## 2. NATIONAL PUBLICATIONS

### 5. Reaching out, Local Government Association

This guide outlines the current loneliness policy context, uses a range of case studies to demonstrate effective local delivery models working in practice, and provides useful check lists and top tips on how to measure and evaluate outputs.

<https://www.local.gov.uk/reaching-out>

### 6. A councillor's guide to digital connectivity, Local Government Association.

This guide is structured to provide councillors with key information on digital connectivity. It explores the main issues and challenges facing local area.

<https://www.local.gov.uk/councillors-guide-digital-connectivity-0>

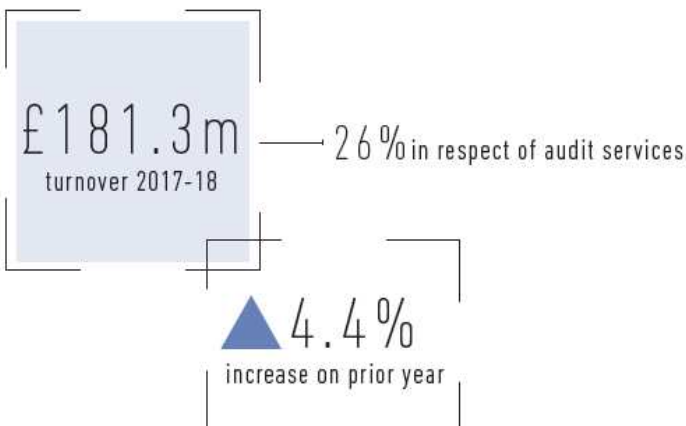
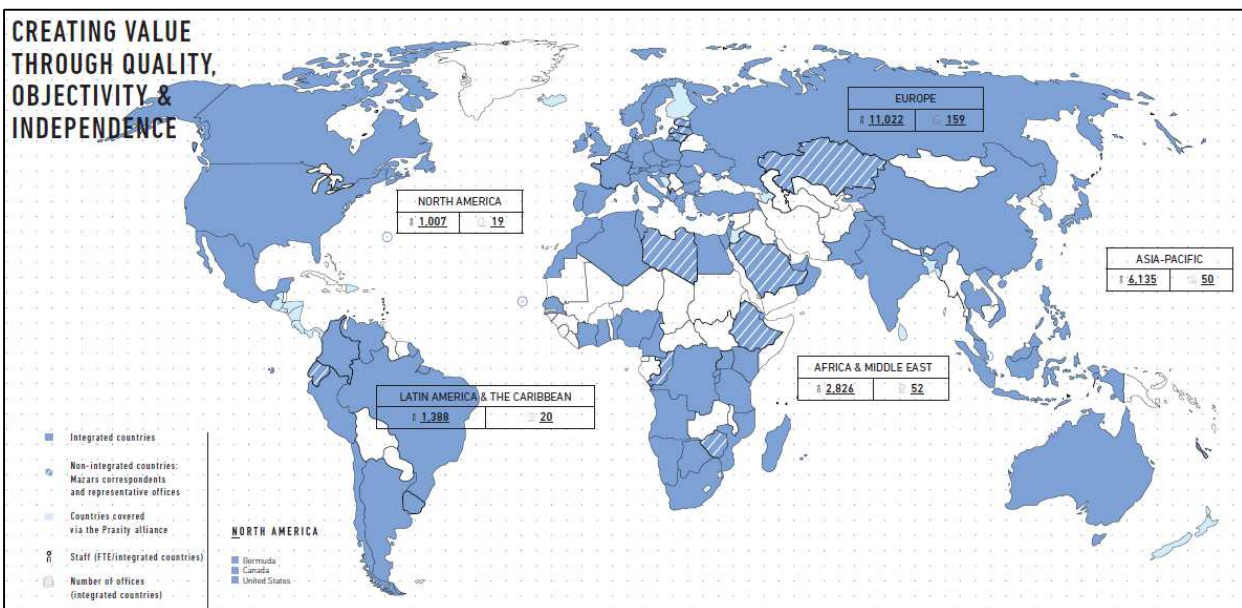


# MAZARS AT A GLANCE

## Mazars LLP

- Fee income €1.6 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

## Mazars Internationally



As at 31 August 2018

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