

Audit Progress Report

North Tyneside Council



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March 2017



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Audit progress

2016/17 audit planning

We have now completed our 2016/17 planning and the results are reflected in the Audit Strategy Memorandum included as a separate agenda item for discussion at the Audit Committee on 29 March 2017.

Our planning included:

- identifying the business risks facing the Authority, including assessing your own risk management arrangements;
- considering financial performance;
- assessing internal controls, including reviewing the control environment;
- evaluating and testing the IT control environment;
- assessing the risk of material misstatement arising from the activities and controls within the information systems; and
- completing walkthrough tests on the key controls within the material financial systems.

As part of our work, we took into account the most recently published updated VFM guidance for local government bodies (in essence, no significant change). <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

We held planning meetings with senior managers to inform our planning risk assessments and to better understand the priorities and challenges the Authority faces. We also discussed the previous year's audit and considered any areas for continuous improvement.

As part of our commitment to quality, team members have already attended our annual audit training conference which included technical issues in respect of the LG sector and feedback from quality reviews to take into account in the coming year. For example, the workshop covered the new

format for the Comprehensive Income and Expenditure Statement to be used in 2016/17.

Bringing forward the accounts and audit timetable

The accounts and audit timetable will be formally brought forward from the 2017/18 audit, with the draft accounts requiring certification by the end of May and the audit being completed by the end of July 2018.

We are continuing to work closely with the Council ahead of this earlier deadline. We attended the Engie closedown workshop to discuss the detailed final accounts audit and we have also issued a final accounts protocol to support how work is done.

Final accounts workshop

As in previous years, we held a final accounts workshop for local authorities, designed to help ensure the final accounts process goes as smoothly as possible. This workshop was held in February 2017 and Council officers responsible for preparing the Authority's accounts attended.

As part of our work, we are also carrying out interim testing to help reduce the impact of our work in the busy summer period.

Issues arising

At this stage of our audit work, we have no significant deficiencies in internal control to report to you.

However we have identified one issue arising from our walkthrough of the Adult Social Care material information system. This walkthrough identified an underpayment by the Council. The relevant sub-population was identified as part of understanding the extent of the error and Council officers are reviewing these payments to ensure there are no further errors. At this stage there is no material impact on our testing strategy, however we will keep this under review and report back to you in due course.

National publications and other updates

National publications and other updates	
1.	Report on the results of auditors' work 2015/16: local government bodies, Public Sector Audit Appointments Ltd, December 2016
2.	Health and Social Care Integration, National Audit Office, February 2017
3.	Housing in England: overview, National Audit Office, January 2017
4.	Auditor Guidance note, National Audit Office, December 16
4.	Highways Network Asset briefing, CIPFA, January 2017
6.	Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd

1. Report on the results of auditors' work 2015/16: Local government bodies, Public Sector Audit Appointments Ltd, December 2016

Auditors of 96% of authorities were able to issue the opinion on the accounts by the statutory deadline of 30 September 2016.

PSAA's conclusions in relation to local authorities included that *"The timeliness and quality of financial reporting for 2015/16, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. The number of principal bodies that received an early unqualified audit opinion (by 31 July) doubled compared with 2014/15. In spite of the challenges they are facing, principal local government bodies are working hard to maintain high standards of financial reporting. The latest results of auditors' work on the financial year to 31 March 2016 show a good position for the majority of organisations."*

<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>

2. Health and Social Care Integration, National Audit Office, February 2017

The NAO has recently published a report which will be of interest to auditors on health and social care integration. The report highlights that progress with integration of health and social care has, to date, been slower and less successful than envisaged and has not delivered all of the expected benefits for patients, the NHS or local authorities. As a result, the government's plan for integrated health and social care services across England by 2020 is at significant risk.

In the face of increased demand for care and constrained finances, while the Better Care Fund, the principal integration initiative, has improved joint working, it has not yet achieved its potential. The Fund has not achieved the expected value for money, in terms of savings, outcomes for patients or reduced hospital activity, from the £5.3 billion spent through the Fund in 2015-16.

The Department of Health and the Department for Communities and Local Government have identified barriers to integration, such as misaligned financial incentives, workforce challenges and reticence over information sharing, but are not systematically addressing them. Research commissioned by the government in 2016 concluded that local areas are not on track to achieve the target of integrated health and social care by 2020.

The report also found that NHS England's ambition to save £900 million through introducing seven new care models may be optimistic. The new care models are as yet unproven and their impact is still being evaluated. While the Departments and their partners have set up an array of initiatives examining different ways to transform care and create a financially sustainable care system, their governance and oversight of the initiatives is poor. In addition, no compelling evidence was found to show that integration in England is yet leading to sustainable financial savings or reduced acute hospital activity. While there are some good examples of integration at a local level, evaluations have been inhibited by a lack of comparable cost data across different care settings, and difficulty tracking patients through different care settings.

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

3. Housing in England: overview, National Audit Office, January 2017

The NAO has recently published an overview of the housing market in England, the Department for Communities and Local Government's (DCLG) housing strategy and the overall housing policy landscape, which may be of interest to auditors in considering bodies' arrangements to secure value for money. The need for housing in England has in recent years grown faster than its supply.

Total estimated government spending on housing in England was approximately £28 billion in 2015-16. The most significant element of this is housing benefit. In 2015-16 there were 4.1 million claimants in England, costing around £20.9 billion. Two of DCLG's four strategic objectives for this Parliament are focused on housing: increasing home ownership, and increasing the supply of homes, with an ambition of delivering a million new homes in England by 2020.

The report finds that housebuilding has not kept pace with need, and this is particularly acute in London. It notes that DCLG is reliant on the market to achieve its housing objectives and it is not yet clear what impact the result of the referendum on Britain's membership of the European Union will have on the market. The report also finds that housing has become more affordable for existing homeowners, whereas by contrast housing has become less affordable for first-time buyers, and social housing rents have been increasing faster than earnings since 2001-02. Homelessness has also increased over the past five years. At the end of March 2016, 71,500 homeless households in England were in temporary accommodation, up from around 48,000 in 2010-11.

Various public bodies have responsibilities for housing, often using housing as a means of achieving other objectives. In addition, changes made in one area of housing policy can have impacts in other areas. In July 2015, for example, the government announced a reduction in the rents housing associations and local authorities could charge of 1% per year. This reduced the ability of housing associations to finance the construction of new housing.

<https://www.nao.org.uk/report/housing-in-england-overview/>

4. Auditor Guidance note, National Audit Office, December 16

The National Audit Office (NAO) issues guidance to auditors of public sector bodies. The main revision to the guidance note is to update explanatory and supplementary guidance on meeting the requirements in the Code of Audit Practice to safeguard integrity, objectivity and independence in the conduct of local audit. The Annex to the guidance also illustrates how the requirements of the Financial Reporting Council's (FRC) ethical standard on financial, business, employment and personal relationships apply to audits of local public bodies.

The guidance note and its Annex is addressed to local auditors however it is recommended that audit teams ensure that their audited bodies are aware of the need for auditors to comply with relevant ethical requirements and also that those charged with governance are briefed as appropriate on the requirements of the FRC's ethical standard.

We confirm that we have taken into account the updated guidance and fully comply with the FRC's ethical standard.

<https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

5. Highways Network Asset briefing, CIPFA, January 2017

The latest briefing covers the postponement of the introduction of the new measurement requirements for the HNA until the 2017-18 financial statements (subject to the full confirmation of that decision at the March 2017 meeting of CIPFA/LASAAC). It also reminds relevant authorities to review and reassess their plans for implementing the changes in accordance with the extended timetable.

<http://www.cipfa.org/policy-and-guidance/highways-network-asset-briefing>

6. Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd

The latest 2016/17 monitoring report highlights full compliance with the Regulator's standards for Mazars LLP.

<http://www.psaa.co.uk/audit-quality/principal-audits/mazars-audit-quality/>

Contact details

Please let us know if you would like further information on any items in this report.

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